EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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FARM POLICY
Time to end the hand-wringing
Page 23

World News

Sino-Soviet summit likely in Peking next year

The first Sino-Soviet summit for 30 years seems certain to take place between President Mikhail Gorbachev and Deng Xiaoping in Peking next April or May. Page 24

Algeria to lift curbs
Algerian President Chadli Bendjedid said a state of siege imposed on Algiers and its suburbs after rioting erupted in the capital would be lifted this morning. The official death toll was put at 176 but diplomatic sources said it may be as high as 500. Earlier story, Page 4

Moscow concession
Two Soviet scientist "refuseniks" – Professor Eduard Nadgorny and his wife, Nina – are to be allowed to emigrate after British Education Minister Kenneth Baker raised their cases during a visit last week to the Soviet Union, his department said in London.

War dead exchange
Iraq and Iran exchanged 16 bodies of their war dead for the first time since a UN-mediated ceasefire in the Gulf war took effect on August 20, a UN spokesman said.

Kosovo meeting
Yugoslav Communist Party leaders held a crisis meeting in Pristina, capital of the troubled Kosovo province, which was expected to pave the way for a purge of the provincial party leadership. Open party rifts, Page 2

Paisley ejected
Northern Ireland Protestant leader the Rev Ian Paisley was forcibly ejected from the European Parliament for shouting abuse at the Pope as the Pontiff addressed the assembly. Pope's message, Page 3

Kings Cross verdict
A London inquest jury returned a verdict of accidental death on the 31 victims of a fire last November at Kings Cross underground railway station. A public inquiry has yet to report on the cause of the fire. Page 13

New Indian party
Four Indian political groups merged to form a powerful new party, Janata Dal, to challenge Prime Minister Rajiv Gandhi's Congress (I) Party. Page 4; terror in Punjab, Page 24

Peru workers strike
A wave of strikes hit Peru in the build-up to tomorrow's general stoppage called by the 1.5m strong communist-led General Confederation of Workers of Peru. An indefinite miners' strike is threatened from October 17. Page 8

Polish student call
Student rallies in cities across Poland called on the authorities to legalise the Independent Students' Union (NZS), suppressed under martial law in 1981. Page 2

Afghan rebel claim
Moslem rebels fighting the Afghan Government claimed to have captured the eastern town of Asadabad, capital of Kunar province bordering Pakistan, after a month-long siege.

Eiffel Tower strike
Striking workers closed the Eiffel Tower for the fourth successive day, as personnel at France's most famous tourist attraction pushed for improved pay and conditions.

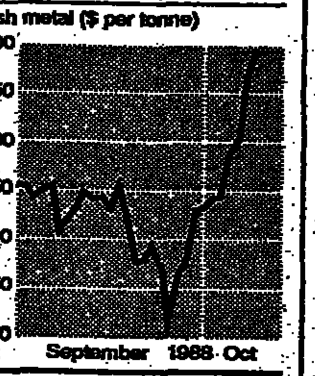
Business Summary

New Zealand, EC reach four-year butter deal

NEW Zealand and the European Commission reached agreement on a four-year deal covering access to EC markets for New Zealand butter and lamb. Concessions leaving New Zealand producers no worse off, despite quota cuts, are expected to provoke an angry response from European farm lobbies. Page 24

ZINC prices continued to rise on the LME against a background of good physical demand, falling stocks and constructive charts. Three-month metal added $31.50 to close at $1,374 a tonne. Page 46

Zinc
Cash metal ($ per tonne)



KOHLBERG Kravis Roberts, leading US leveraged buy-out group, withdrew its offer to buy Kroger, the country's second largest supermarket chain, for $64 a share or $5.03bn. Page 25

DYNO Industrier, diversified Norwegian industrial group, said it had agreed to purchase the 50 per cent stake owned by Du Pont of the US in Du Pont Wesfarmers, second largest Australian explosives company. Page 26

OTC Investment, Australian company controlled by Dick Pratt, put its 29.9 per cent stake in Redfearn, UK packaging company, up for sale. Page 25

INTERNATIONAL Paper, world's biggest integrated paper-making company, almost doubled net earnings in the third quarter, returning profit growth over 30 per cent for a second year. Page 26

SAUDI businessman Suliman Olayan is to take a 30.5 per cent stake in US First Boston, giant new global investment bank being formed by a merger of US First Boston Inc and Europe-based Credit Suisse. Modest billionaire, Page 26

KOOR Industries managing director Benny Gaon flew to New York in a last-minute attempt to persuade Bankers Trust, its largest foreign creditor, to drop its court application for the winding-up of Israel's largest industrial conglomerate. Page 4

DOW Jones, US business information and newspaper group which publishes the Wall Street Journal, suffered a 13 per cent decline in net third-quarter profits to $32m. Page 26

ALFA-LAVAL, Swedish dairy equipment and process engineering group, reported 27 per cent increase in profits after financial items from SKr415m ($65.4m) to SKr525m for first eight months of 1988. Page 28

OLIVE production, mainstay of the West Bank agricultural economy, is likely to become the next victim of the continuing unrest in the Israeli-occupied territory. Page 46

LANVIN, France's last privately-owned fashion and perfume house, is seeking buyers, signalling an end to 98 years of independence.

Luxembourg-based bank indicted on drug money charge

By Richard Donkin in London

THE LUXEMBOURG-BASED Bank of Credit and Commerce International is among defendants indicted by a Federal grand jury in the US after a two-year investigation into the alleged laundering of $32m of profits from cocaine sales.

Customs and Excise officers in Britain, France and the US believe it is the most important money laundering case in US history.

The defendants are accused of laundering profits from Colombia's powerful Medellin cartel, believed by US investigators to be responsible for 80 per cent of the cocaine shipped into the US. The bank denied knowledge of "any violation allegedly committed". It said: "The bank wishes to state categorically that at no time whatsoever has it been knowingly involved in drug-traffic related money laundering.

The worldwide investigation centred on Miami in Florida and culminated in co-ordinated swoops over the past four days as former and present staff of the bank were among people rounded up in financial centres throughout Europe and the US. Nine people were arrested at the weekend at Tampa, Florida. More than 80 people were charged yesterday although it was unclear last night just how many were employees of the bank, which was established 16 years ago by Agha Hasan Abedi, a Pakistani national.

With assets of more than $20bn and more than 400 branches in 73 countries it is by far the largest privately owned Arab bank and is believed to be the seventh largest private bank in the world.

British Customs were brought into the investigation in May. Customs and Excise said last night the UK-base money laundering operation involved the "comparatively small" sum of $1.25m.

Among the defendants in the indictment handed down by the Federal grand jury at Tampa were BCCI Holdings (Luxembourg), the bank holding company, and two subsidiaries, Bank of Credit and Commerce, International SA and Bank of Credit and Commerce International (Overseas).

Mr William Von Raab, US Customs Service Commissioner said: "It is the first time an entire international financial institution and its important members have been indicted," and alleged more than £8m ($13.6m) was laundered through offices of the Bank of Credit and Commerce International.

Two City of London businessmen were bailed until November 8 when they appeared before magistrates yesterday accused of involvement in the laundering of the proceeds of drug trafficking.

They were Mr Asif Abdul Baakza, 38, manager of the corporate unit of Bank of Credit and Commerce International, and Mr Syed Zia Uddin Ali Akbar, 44, managing director of Capcom Financial Services.

Dirty money in clean hands

By Robert Graham in London

THE SOUTH AMERICAN drug barons have a maxim when talking about laundering the profits from the multi-billion narcotics business: "Dirty money is best passed through clean hands." This is shorthand for saying that successful laundering operations must involve legitimate financial institutions.

The fact that legitimate financial institutions are being used to launder drugs profits is well known to drugs enforcement and customs officials in the US and Europe. However, in the fight against the international drugs trade – especially the growing South American cocaine business – governments have enjoyed least success in cracking down on money laundering.

This is a due to a mixture of legal complications, lack of international co-operation, technical difficulties in tracking financial transactions and shortage of personnel.

Nevertheless, the latest combined action involving US, British and French officials – which this week has resulted in the arrest of more than 80 people – marks a new stage.

It is the first example of charges arising from a surveillance operation which has allegedly traced significant transfers of drug funds from Miami to Europe through recognised banking channels: in this case the Bank of International Credit and Commerce. It also marks an escalation in efforts to tackle Miami and Southern Florida as the key centre for the Latin American drugs trade.

"Southern Florida remained the centre for drug money laundering activities in the United States in 1987 . . ." stated the latest report of the National Narcotics Intelligence Consumers Committee (NNICC), the inter-agency body which co-ordinates all anti-drug efforts in the US. Despite such public acknowledgement of money laundering, progress has been slow in stamping on the activity.

Organised crime has always proved one or two jumps ahead, and now has the power to suborn governments. Indeed, Latin American governments have complained over the past three years that insufficient measures have been taken in the US both to curb narcotics demand and seize illegal profits.

Officials at the Drugs Enforcement Agency (DEA) in Washington feel overwhelmed by having to combat the drugs phenomenon on so many different fronts. Asset seizures last year totalled an impressive $504m in the US. Against this almost 80m tons of cocaine was being consumed.

Cocaine is the most profitable drug, with "wholesale prices" of $12,000 to $40,000 a kilo, and retail prices of $80 to $120 per gram, according to the NNICC. An indication of the size of the laundering operations was revealed in congressional testimony in 1985. Mr Benito Ghitis, an admitted Miami-based launderer, said he had washed $240m in eight months.

Money has been traditionally laundered by couriers depositing in different banks many sums of just less than $10,000, the amount at which the US Bank Secrecy Act obliges banks to declare transactions.

These individual sums can
Continued on Page 24

Michelin to buy aircraft tyre operations of BF Goodrich

By Paul Betts in Paris

MICHELIN, the leading French rubber group, is planning to buy the aircraft tyre business of BF Goodrich of the US in a major strategic expansion into the aerospace sector.

The deal will turn Michelin into the world's second largest supplier of aircraft tyres after Goodyear of the US.

Although the French group has successfully adapted its radial tyre technology to the aerospace sector during the last few years, it has until now had only a marginal share of the aircraft tyre market.

However, with the BF Goodrich aircraft tyre operations, Michelin will become second to Goodyear in this market. BF Goodrich's aircraft tyre business accounts for 20 per cent of the world market and 32 per cent of the US civil and military aircraft tyre market.

Michelin declined to disclose the value of the proposed transaction last night but said the acquisition involved a recently built aircraft tyre manufacturing plant in Norwood, North Carolina, tyre retreading units in the US, marketing and sales networks as well as research and testing facilities.

BF Goodrich will maintain control of its aircraft wheel and brake manufacturing operations but will now collaborate closely with Michelin in future aircraft wheel and tyre developments. Michelin is also planning to take over BF Goodrich licences and other aircraft tyre trade marks.

The deal also envisages separate negotiations between BF Goodrich, Michelin and Sime Darby, the Malaysian trading group, over the joint venture in aircraft tyres, wheels and brakes formed earlier this year between the US group and Sime Darby in Malaysia. Michelin is expected to negotiate on the tyre interests in the joint venture, while BF Goodrich will negotiate the wheel and brake aspects of the Far East association.

BF Goodrich is understood to have sought a major partner for its aerospace wheel and tyre business after selling its 50 per cent interest in its joint tyre venture with Uniroyal earlier this year.

The US group said at the time that it intended to concentrate in the future on its chemicals and aerospace and defence businesses. However, without the support of its conventional tyre operations, it is understood to have felt its aerospace tyre business required the support of a strong international tyre group.

BF Goodrich's aerospace and defence operations accounted for about 15 per cent of the company's sales of $2.2bn last year.

Cabinet in Prague quits as hardliners triumph

By Leslie Colitt in East Berlin

THE ENTIRE 20-member Czechoslovak cabinet resigned yesterday, paving the way for a major reshuffle, as the ruling Communist Party reaffirmed its intention of charting a hardline course, sharply at variance with Moscow's reformist line.

The country's official news agency, which on Monday announced the resignation of Mr Lubomir Strougal, the veteran premier, indicated yesterday that both the interior minister Mr Vratislav Vejnar, and the ailing Foreign Minister, Mr Bohuslav Chnoupek, would be replaced. Five new members were appointed to the party praesidium.

CTK news agency also published an uncompromisingly hardline speech by the ruling party's ideology chief, Mr Jan Kojtik, to a central committee meeting which ended yesterday.

"We must under no circumstances permit the weakening of the leading role of the Communist Party," Mr Fojtik said, while warning against "petty bourgeois" ideas of greater ownership and attacking the foreign press for fomenting dissent.

It was also announced that Mr Ladislav Adamec, the technocratic prime minister of the Czech republic, would replace Mr Strougal.

While Mr Adamic, 62, is considered a relative moderate, observers regard it as unlikely that he will carry much weight against the orthodox Communist Party leadership.

Mr Strougal was considered the man most likely to initiate any moves towards economic decentralisation, and observers have suggested that he was frustrated by the hard line taken by the Communist praesidium.

Mr Strougal's letter of resignation and that of the Slovak Prime Minister, Mr Peter Colotka, both published yesterday, said they were stepping down because of age. However both men however are younger than the Communist party leader, Mr Milos Jakes.

Mr Jakes, who took over as party chief last December, rose to prominence in the Communist Party in the immediate aftermath of the Soviet invasion in August 1968, when a sweeping purge of liberals was carried out.

He has paid lip service to the idea of limited economic
Continued on Page 24

Tokyo finance minister cited in insider row

By Stefan Wagstyl in Tokyo

A JAPANESE stock market scandal involving leading politicians deepened yesterday when Mr Kiichi Miyazawa, Finance Minister, was named in a list of people who had received shares on a preferential basis in Recruit Cosmos, the property company at the centre of the affair.

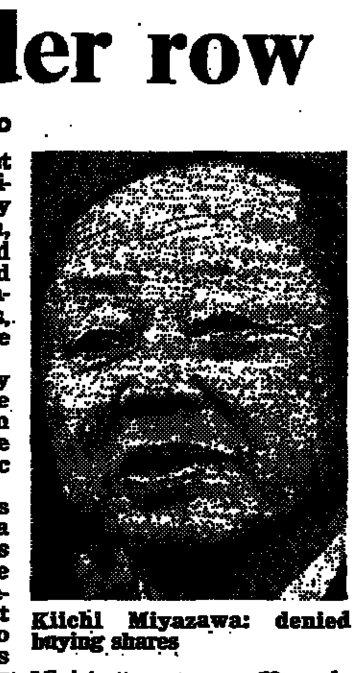
The list was released by opposition parties which are exploiting the involvement in the affair of members of the ruling Liberal Democratic Party.

At a hastily summoned press conference, Mr Miyazawa denied buying Recruit Cosmos shares and suggested his name might have been used by someone else. However, the latest allegations seem certain to increase the ruling party's embarrassment over the affair and add to its difficulties in trying to win support for a controversial tax reform scheme.

Accusations of bribery and stock market malpractice have flowed since the scandal broke in June.

The affair concerns the distribution of shares in Recruit Cosmos by its parent, Recruit, an employment agency, to leading public figures before Recruit Cosmos was floated on the stock market in 1986. Those who received shares in the private placing later made large profits.

Aides to Mr Miyazawa, to Mr Noboru Takeshita, the Prime Minister, and to Mr Yasuhiro Nakasone, the former Prime


Kiichi Miyazawa: denied buying shares

Minister, were among 76 people originally named as recipients of shares.

However, the list revealed yesterday contains Mr Miyazawa's own name among those of nine people who allegedly received 80,000 shares through Do Best, another company affiliated to Recruit. Mr Miyazawa allegedly had 10,000.

Aides to Mr Takeshita and Mr Nakasone are also named, as are a former senior official of the National Tax Administration Agency and a former vice-minister of the Labour Ministry, who are the first civil servants to be implicated in the affair.

Two others on the list are a

First UK auction of Ecu bills sees heavy demand

By Stephen Fidler, Euromarkets Correspondent

THE FIRST auction by the Bank of England of Treasury bills denominated in Ecu – the basket of the European Community currencies – was heavily oversubscribed yesterday, as bids placed totalled more than 3½ times the amount of bills on offer.

The sale was being viewed in the City of London as a significant success, although there was caution that enthusiasm for an inaugural auction would not necessarily spill over into the subsequent monthly auctions. The Bank has appointed 29 dealers to make a market in the bills, and it was certain that much of the bidding came from dealers attempting to establish an inventory from which to trade the paper.

The main buyers were said to be central banks, as well as conservatively-managed investment institutions and international company treasurers.

It is too early to say what this auction indicates for subsequent sales. If the bills are quickly swallowed up by investors, and there is not a significant float for dealers to trade, the Bank may be tempted to enlarge later auctions. The size of the first auction was scaled up as the extent of investor interest became apparent. The move to sell the bills was seen as an attempt by the Bank to centre the Ecu market on London, and is said to have sur-
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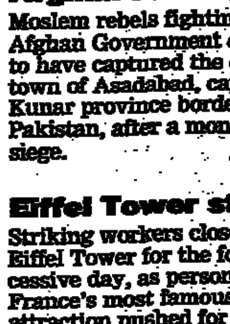
MARKETS

Tokyo
Nikkei average (000)



STERLING
New York: $1.715 (1.7138)
London: $1.717 (1.7125); DM3.18 (3.1775); FFr10.835 (10.8275); SFr2.695 (2.6975); Y225.0 (225.5)

DOLLAR
New York: DM1.855 (1.8545); FFr6.3185 (6.3215); SFr1.572 (1.5745); Y131.05 (132.35)
London: DM1.852 (1.855); FFr6.31 (6.3225); SFr1.57 (1.5755); Y131.0 (132.2)

GOLD
New York latest Comex Dec $408.45 (408.25)

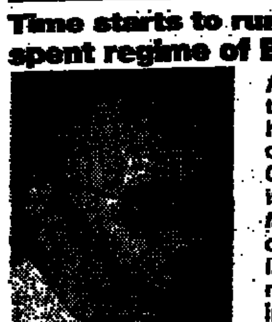
STOCK INDICES
New York: Dow Jones Ind. Av. 2,158.47 (-2.49); S&P Comp 277.49 (-0.75)
London: FT-SE 100 1,838.3 (-5.8)
World: 127.54 (Mon)
Tokyo: Nikkei Ave 27,469.50 (+211.33)
Frankfurt: Commerzbank 1,582.9 (-0.9)

OIL
Brent 15-day (Argus) $12.42 (+0.105) (Nov)
West Tex Crude $13.605 (+0.07) (Nov)

INTEREST RATES
US: Federal Funds 8¼% (8⅛); 3-mth Treasury Bills: yield: 7.51% (7.503); Long Bond: 102 (103¼) yield: 8.85% (8.819)
London: 3-month Interbank close 11 15/16% (11¾)

CONTENTS

Time starts to run out for the spent regime of Burma



As Burma stumbles towards a future finely balanced between optimism and disaster, General Ne Win (left) is still seen as the *de facto* ruler. His successors, however, are likely to face a mammoth task of rebuilding.
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Dutch sink plan to curb dumping of salt in Rhine

By David Marsh in Bonn

THE NETHERLANDS yesterday unexpectedly torpedoed an international environment agreement under which France planned to reduce further dumping of salt into the Rhine from next year.

The decision reflects budgetary difficulties in The Hague in committing the sum of Fl 100m (£28m) over the next 10 years as the Dutch contribution to a programme to reduce chloride concentrations first agreed in principle in 1976.

Announcement by the Dutch Government that it was blocking the second stage of implementation of the accord overshadowed a meeting of environment ministers here discussing ways of cleaning up the river.

Mr Klaus Toepfer, the West German Environment Minister, who chaired the meeting of ministers from five countries bordering the Rhine, said he was disappointed by the Dutch move, especially since the Netherlands has been in the forefront of efforts to lower salt concentrations in the Rhine from Alsace potash mines.

Ms Neelie Smit-Kroes, the Dutch Transport and Public Works Minister, who represented The Hague at the conference, justified the decision on the grounds of new information about other pollutants in the river.

The Sandoz chemicals accident in 1986 had heightened awareness of the "awful stuff" in the Rhine, above all organic matter from fertilisers and phosphates, and lowered the priority which should be given to salt, she said.

She said she could not explain to taxpayers why the Netherlands should be putting up Fl 100m as part of the overall FFr800m (£74m) programme when France would probably be resuming tipping of salt into the river in 1998.

Mr Brice Lalonde, the French Environment Minister, said the decision was a surprise. France had been counting on putting into operation next January the second stage of the programme, aimed at reducing total salt disposals by a further 40kg per second from the present total of around 300kgs, he said. The first stage, lowering salt disposal by 20kgs per second, was implemented in January last year.

Rearguard fight slows Soviet party reform

Local leaders are being replaced, writes Quentin Peel, but not at the pace Gorbachev wants

THE OVERHAUL of the leadership and bureaucracy of the Soviet Communist Party, as ordered by Mr Mikhail Gorbachev, is slowly beginning to take effect, but not without strong resistance from many key party organs.

Reports reaching Moscow suggest that an election campaign for the lowest-level party activists – on factory floors, farms and offices – is resulting in an appreciable turnover of local leaders, but still short of the upheaval Mr Gorbachev seems to be seeking.

In a new departure, however, party organisations are taking opinion polls at workplaces to determine the popularity of officials, before proposing them for election.

Meanwhile, the first figures were published yesterday for cuts in the party bureaucracy in a major republic – the Ukraine.

Mr Vladimir Shcherbitsky, the Ukrainian party leader and, ironically, one of the last-remaining members of the Brezhnev old guard in the politburo, announced that half the party departments (nine out of 18) would be scrapped, and 30 per cent of the senior personnel would have to go.

The biggest cuts in the bureaucracy are supposed to take place at national level, where the central committee bureaucracy may be reduced by half, according to Mr Vadim Medvedev, the newest politburo member.

Yet the patchy progress was clear yesterday from a highly critical editorial in Pravda, the leading party newspaper, directly focused on the work of party committees – the central organ of party control at each administrative level in the country.

"Communists express their concern at the fact that in some instances there are attempts to castrate perestroika with excessive over-organisation, endless office talk, or attempts to justify the inability to adjust to a pluralism of opinions by blaming the people's ungovernability," it said.

And in a report on the actual grass-roots election process, in the republic of Kirgizia, it admits that "the processes of perestroika are complex and contradictory in many of the party organisations. Not in all cases are democracy and glasnost uppermost."

None the less, Pravda reported genuine debates on the shopfloor at a string of different organisations, with strong criticism of party officials, and resulting changes in the party elections.

One problem was that workers were still not willing to fill in party questionnaires. When they did, in a vacuum-cleaner manufacturing plant, 16 out of 44 workers said they were dissatisfied with the party leadership. In another plant, the party secretary received only two votes. A carpet-weaving enterprise sacked the entire party bureau.

On the other hand, in the Sokulukskiy region of Kirgizia, "instead of the careful study of public opinion, instead of listening to the proposals of Communists and non-party members . . . they simply dragged an old list of candidates from the safe, and handed it over to the newspaper for publication," Pravda said.

Hence, perhaps, the thunderous editorial, trying to tell the party leadership just what they are supposed to be doing.

"We are talking about a radical change in the entire work of the party committees," it said. "We must steadfastly follow the line of strict division between the functions of party committees and economic organisations, overcome duplication . . . improve the quality of the party apparatus and ensure its unconditional subordination and accountability to elective organs.

"No one would argue that the braking mechanism has not been fully eradicated, and that conservative strivings often accompany laxity, irresponsible attitudes and incompetence . . . with the party committee finding it difficult to resist the temptation to begin work in the old way by issuing commands."

Armenian and Azerbaijani leaders meet

THE COMMUNIST party leaders of the Soviet republics of Armenia and Azerbaijan met yesterday and Tass news agency said they were looking for ways to compromise in their dispute over the region of Nagorno-Karabakh, Reuter reports from Moscow.

Mr Suren Arutyunyan and Mr Abdul Vezirov met in Stepanakert, the troubled capital of Nagorno-Karabakh, where ethnic Armenians have been on strike for much of this year. The two held a similar meeting there in August.

"It was pointed out that in the existing situation it is extremely essential to look for compromise ways to solve problems and meet each other halfway," Tass said.

It also said the Armenian Communist party central committee had met on Monday and urged government officials to crack down on organisers of demonstrations calling for the transfer of mainly Armenian-populated Nagorno-Karabakh from Azerbaijan to Armenia.

Tass said a meeting of the Armenian Central Committee had expelled two people from the party in connection with election fraud during recent polling for seats in the republic's parliament.

A night curfew, imposed on Nagorno-Karabakh under a state of emergency, had been reduced to five hours, Tass said. Some strikers had returned to work but life had still not returned to normal.

Open party rifts test power of Milosevic

By Judy Dempsey in Belgrade

RIFTS BETWEEN the Communist parties of Serbia and Slovenia came into the open yesterday as Yugoslavia prepared for a crucial central committee meeting which will test the power of Mr Slobodan Milosevic, the Serbian party chief.

Politika, the Belgrade party newspaper which staunchly defends Mr Milosevic and his Serbian nationalist line, attacked the Slovene party for its support of the police action against demonstrators in Montenegro at the weekend.

Police wielded clubs and threw tear-gas at demonstrators in Montenegro who were calling for the resignation of the local leadership. The incident marked a climax to three months of intensifying ethnic unrest and discontent among workers.

The liberal Slovene party accused the Serbian party of manipulating workers during the demonstration.

The demonstrators had originally protested against poor living standards and low wages. But the Slovene party accused the Serbs of turning the rally into a pro-Milosevic nationalist meeting.

Leaders of the federal Communist party were last night meeting the local party organisation in the southern region of Kosovo, where alleged discrimination by ethnic Albanians against local Serbs has become the focus of the growing Serbian nationalist movement.

Personnel changes in Kosovo were widely expected to be announced after a meeting of the province's central committee today.

A member of the Serbian central committee, Mr Milenko Petrovic, yesterday called for the sacking from the party of three leading Kosovo politicians, including Mr Kolj Siroka, the region's representative in the federal presidium.

Mr Milosevic wants to strengthen Serbian control over both Kosovo and Vojvodina, a northern province whose leaders were toppled by a pro-Milosevic demonstration last week.

The Serbian party chief faces what could be a make-or-break test at the October 17 plenary meeting of the central committee, when the 165 members of the policy-making body are thought likely to stage a vote of confidence in the ruling presidium.

Any member of the presidium who failed to win the support of more than two-thirds of the presidium would be forced to step down.

Mr Milosevic has made clear his wish to see some of his colleagues on the presidium ousted, repeatedly accusing them of incompetence and mismanagement.

But it is far from clear how much support Mr Milosevic enjoys in the current central committee. Delegates from Croatia and Bosnia, as well as Slovenia, are likely to fear his brand of Serbian nationalism.

France backs rights talks in Moscow

FRANCE HAS accepted a controversial Soviet proposal to hold a European human rights conference in Moscow in 1991, a Foreign Ministry spokesman said yesterday in Paris, Reuter reports.

The French position, announced on the second day of a visit by Mr Eduard Shevardnadze, the Soviet Foreign Minister, is at odds with Western hardliners, including Britain and Canada, which are wary of the gathering as a potential propaganda coup for the Kremlin.

"France will not place any obstacles in the way of this conference," the spokesman said. "We will join the consensus on this issue."

The question of where to hold so-called follow-up human rights conferences is one of the last issues holding up the 35-nation European Security Conference in Vienna, which diplomats expect to wind up by the end of the year.

France has hitherto avoided taking a position on the Soviet proposal, which has divided the Western nations.

Some believe the conference would encourage humanitarian reforms being undertaken by Mr Mikhail Gorbachev, but hardliners say it would amount to giving the Kremlin a blank cheque.

A French diplomat said Paris's acquiescence was unlikely to end the deadlock immediately, but could help swing the consensus towards acceptance.

The proposed conference would be the third on humanitarian issues to be held before the next full-scale round of the European Security Conference in 1991 or 1992. The others would be in Paris next year and Copenhagen in 1990, according to the proposal.

Diplomats said the French stance appeared to be part of a concerted effort by President François Mitterrand to improve ties with Moscow after several years of distant relations.

Rallies seek recognition of Polish students' group

By Christopher Bobinski in Warsaw

POLISH STUDENTS yesterday staged rallies at several universities in support of demands for recognition of NZS, an independent students' group.

At the same time, preparations continued for round-table talks expected to start next week between the banned Solidarity movement and the authorities.

Mr Jerzy Urban, the government spokesman, yesterday criticised the students' action and warned that excessive radicalism endangered the Government's conciliatory policy towards the universities.

Several thousand students rallied at Warsaw University as well as the Polytechnic, and demonstrations were also reported at colleges in Krakow as well as Wroclaw University where some 600 students held a meeting.

At most places the university authorities gave permission for the demonstrations. Opposition to compulsory military training for students is emerging as the major issue.

Mr Lech Walesa, the Solidarity leader, has suggested that the authorities are complaining about the composition of his movement's delegation to the round-table talks. Yesterday Mr Urban declined to say when they would start.

The authorities have stepped up pressure on the opposition: police on Monday evening conducted house searches at four Warsaw flats, confiscating a word processor which they suspected was being used to publish illegal literature in the first case of harassment of this kind for many months.

Mr Jozef Czyrek, a politburo member who has played a key role in setting up the round-table talks, told the Polish press agency (PAP) that the meetings would last three to four weeks and were aimed at putting together a common platform for next year's parliamentary elections.

He made no concessions, though, on Solidarity's demand for recognition as a trade union which the authorities are resisting.

Professor Andrzej Stelmachowski, a top Solidarity negotiator, has flown, along with two colleagues, for consultations with the Pope, who is in Stuttgart.

Cardinal Jozef Glemp, the Polish church leader, is a strong supporter of the round-table process and he argued that such a dialogue is necessary if there is to be hope of resolving the country's problems and for relations with the West to be normalised.

The church for its part has made progress in talks with the state on a charter laying out its rights and duties.

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Brussels to investigate drug price controls

By Peter Marsh

THE European Commission is to investigate whether the pharmaceutical price-control schemes operated by countries in the European Community might have to be changed in the run-up to the planned dismantling of trade barriers in 1992.

The inquiry, which is due to last a year, could be highly contentious. It could involve disputes between national governments and Brussels over the degree to which different countries should favour locally based healthcare companies when setting drug prices.

At present countries in the EC operate a range of schemes to establish prices for pharmaceuticals, which in Europe are largely purchased through publicly-owned health authorities. Total pharmaceutical sales in the EC are running at about £25bn a year.

Most of the price-control schemes explicitly favour companies which have a high level of research, development and production facilities in the country concerned. The systems normally work by permitting such suppliers to charge higher prices, or make larger profits, than those with only a small base in the relevant territory.

According to some drug-industry observers, these schemes may be contrary to the spirit of the planned unification of the European market. Under the plans for 1992, different countries would not be allowed unless in exceptional cases to offer incentives to companies with a high level of visibility in their territories.

Officials in Brussels realise that in inquiring into drug prices they are stepping into a complex area. Many national governments regard favouring local drug companies as a vital element in their strategies for supporting high-technology industry.

Some drug companies – especially those which do not have a strong presence in the EC – dislike the current arrangements and have made their views known to the Commission.

The year-long inquiry is intended to take fully into account views of national governments, industry representatives and consumer groups.

Following the investigation the Commission is due to formulate detailed proposals for a new drug pricing system for the EC that would, as far as possible, fit in with the spirit of 1992 and also accommodate national aspirations. These proposals are due next October.

Unemployment rate among women worsens in EC

By Tim Dickson in Brussels

THE WORSENING rate of unemployment among European women was highlighted by new figures published in Brussels yesterday.

The latest bulletin from Eurostat, the European Commission's statistics office, shows that the number of women out of a job across the Community has increased from 12.1 per cent to 12.8 per cent of the female working population since the winter of 1986.

During the same period the unemployment rate among men has fallen steadily from 9.4 per cent to 8.2 per cent.

In addition, the survey points out, the jobless rate among women in all member states apart from the United Kingdom is much higher than that among men, the greatest differences being found in Spain (29.8 per cent for women, 14.7 per cent for men), Italy (21.3 per cent against 8.2 per cent) and Belgium (17.5 per cent against 6.5 per cent).

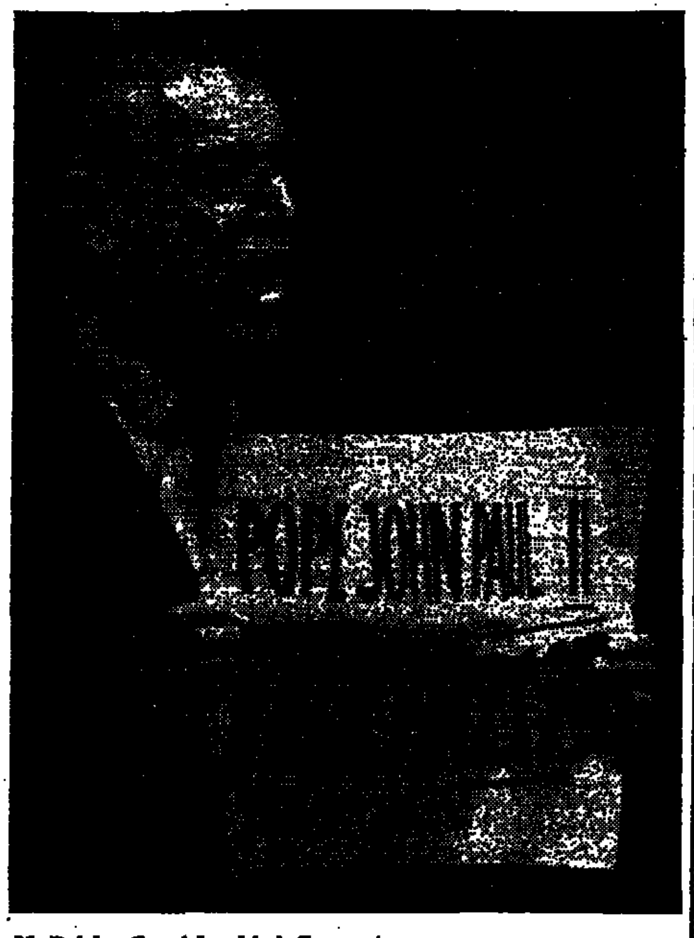
In Britain seasonally adjusted figures show that female unemployment in August was 7.8 per cent of the workforce, against 8.6 per cent for men.

A Commission spokesman yesterday explained that the results were due to "the larger number of women than men moving on to the labour market.

"There are actually more women than men finding employment but because we are talking about the rate of increase the denominator for women is bigger than the denominator for men."

The Eurostat figures show that in August the overall number registered as unemployed was 15.6m, a 0.1 per cent increase compared to July.

After compensating for differences in national recording methods, Eurostat says the seasonally adjusted unemployment rate in the EC stood at 10.4 per cent.



Mr Paisley flourishes his inflammatory message

Pope's mild message stirs MEP emotions

By David Buchan in Strasbourg

THE MEDIUM is more important than the message when it comes to Popes addressing European Parliaments.

When a Pope – John-Paul the Second – came to the European Parliament yesterday for the first time, he delivered the politically unexceptional message that the integrated European Community of 1992 should be "open" to the eastern half of the continent and generous to the Third World.

The first few words of his address were interrupted, predictably, by Mr Ian Paisley, vocal Protestantism's gift to the European Parliament, who tried to shout St Peter's successor down as "Anti-Christ" and was swiftly ejected from the chamber.

Further echoes of religious wars past were provided by Mr Paisley's subsequent explanation that he was repeating the words of the executed Thomas Cranmer, the first Archbishop of Canterbury, and the fact that chief among Mr Paisley's ejectors was Mr Otto von Hapsburg, the West German Euro-MP whose family played no small part in European history.

The Pope, himself a keen amateur boxer as a Polish teenager, remained unruffled, and restarted his speech to general applause.

Earlier in the day, some parliamentary officials were distinctly ruffled by the prospect that the pontiff would enter Strasbourg's Palace of Europe via a lobby temporarily housing an art exhibition of female statuary.

First, officials clad certain parts of the statues in makeshift white paper bikinis, and then – deciding the cover-up was insufficient – removed the offending statues completely. It was as though the Vatican had no such representational art.

And as if all this stir were not enough, many Euro-MPs afterwards tried to read controversy into the Papal address. In arguing that "a common political structure", far from endangering the identity of the peoples of the Community, would guarantee their rights more fairly, was not the pontiff coming down on the side of the federalists and against the line of Mrs Margaret Thatcher?

In calling for spiritual cohesion, to match Europe's economic co-operation, was he not perhaps endorsing the European Commission's plans to add a social dimension to the EC single market? Luckily, however, Papal addresses are not formally debated.

German lonely hearts put finance before sentiment

Haig Simonian finds kitsch and materialism in the personal columns of the nation's newspapers

THE lady from Box No ZS2366 wants a man "who has fallen from Heaven, who'll steal horses with me, go for walks in the rain, dive into the Sea, who'll fire my love for fantasy and invention, my way of thinking, my spontaneity and sensitivity, my love for travel and my intellectual curiosity."

A little prolix perhaps, but the lady concerned is just one of the thousands of West Germans who advertise each week in the bulging lonely hearts columns of the country's newspapers.

European Diary

West Germany may have one of the world's highest standards of living and its citizens a material wealth which is the envy of many. But even a cursory glance through its papers shows that, when it comes to affairs of the heart, money is not everything.

The lonely hearts columns can be a revelation to those who still see the Germans as brusque and coolly-efficient workhorses. What emerges instead is an extraordinary mixture of sentiment, kitsch and materialism.

The medium often dictates the message. Many metropolitan afternoon papers are crammed with adverts for company for the evening – or the night. The adverts are not always from professionals, say those in the know, but sometimes from female students or foreign women wanting to supplement their income. And while sex is usually the object, plain company may be all that is on offer.

But while adverts in evening papers like Munich's Abendzeitung are usually pithy and to the point, the lonely hearts columns in the quality press tell a different story.

The most entertaining is usually in Die Zeit, Germany's heavyweight intellectual weekly whose lonely hearts page is scanned closely by many high-minded readers who find the often long and fanciful adverts greatly diverting.

Adverts in Die Zeit range from the "nice pan seeks pretty lid" genre to complicated messages intertwining money, politics and pleasure. Take the man a few weeks ago who is "not quite independent, no friend of the CDU and with a boat in the Mediterranean."

Yet even Die Zeit's adverts can offer a distinctive mixture of emotion and financial coolheadedness it would be hard to find anywhere else in Europe. Effusive emotion is often brought sharply down to earth by shattering cost-consciousness. Thus the lady looking for her man from heaven was sufficiently earthbound to shorten her horizons to K, SU, BN, or KO – the abbreviations used on car number plates to indicate the cities of Cologne, Siegburg, Bonn or Koblenz.

Those stingier still just use a city's postcode. The ex-test-pilot who wants to "take off a second time and float above the clouds with You" is content with "Raum 4-5" – not a flight path, but the abbreviated postcodes for Dusseldorf and Cologne respectively.

Many advertisers in the Frankfurter Rundschau, the left-leaning quality daily based in Frankfurt, give clear indications of their financial status alongside their other attributes. Women often mention their financial independence, their apartments or even that they expect a generous inheritance.

By contrast, career prospects or achievements tend to predominate among the men. "Well-earning company directors," "wealthy manufacturers," suitors with "some capital" or, at the very least, gentlemen with a "nice car," abound. And it is astonishing how many male lonely hearts claim to be pilots.

But in health-conscious Germany, where lavish private medical schemes guarantee doctors and dentists an almost peerless income, it is still the "doctor with own practice" who will probably beat even the Jumbo jet captain to the lady of his dreams.

Even adverts in a respectable daily like the Rundschau can be remarkably forthright. The "cuddly tomcat, 41, seeking a sweet mouse" is all very well, but the gentleman a couple of inches down who wants a partner "for erotic hours and shared-leisure time" is another matter.

East Berlin police action draws W German protest

By Leslie Colitt in Berlin

THE WEST GERMAN permanent mission in East Berlin formally protested yesterday to the East German Foreign Ministry over police action against a church demonstration on Monday night.

Some 80 participants in a silent march through East Berlin against the censorship of church publications were detained for several hours, and a West German television journalist said he was kicked and beaten.

The permanent mission complained that the Communist authorities' action "grossly contradicted" the Final Act of the Helsinki Accord, and violated an agreement regulating the activities of journalists in East Germany.

An official of the East German ministry rejected the protest but expressed the hope that relations between the two German states would not be affected.

In Bonn, a government spokesman expressed his "utmost shock" at the police action, while Mr Manfred Stolpe, a senior lay official of the East German Protestant church, said it marked the culmination of an intolerable situation.

Other churchmen in East Berlin described the police behaviour as an attempt to intimidate citizens who had become increasingly apparent in making known their grievances.

The coverage by West German television of such demonstrations especially angers the authorities as West German television is avidly followed by most East Germans.

East Germany has in recent months heavily censored church publications and prevented several of them from being published. References to the need for a dialogue between the orthodox Communist leadership and the population were expunged.

Prior to an ecumenical church meeting last weekend in Magdeburg, the authorities refused to allow church publications to carry a prayer calling for change and renewal in East Germany.

Church study groups presented papers calling for more freedom to travel, a less restrictive information policy and a greater voice for individual citizens. One paper written by the East German theologian, Mr Edelbert Richter, criticised the East German Communist Party for totally dominating public life and preventing any dialogue or openness.

Kissinger urges superpowers to act on E Europe

THE FORMER US Secretary of State, Dr Henry Kissinger, said yesterday that Washington should work out an agreement with the Soviet Union to avoid the danger of a superpower confrontation over Eastern Europe, Reuter reports from Washington.

The United States should give an assurance that it would not seek military ties with East European countries – several of whom are experiencing unrest – if the Soviet Union allowed them political freedoms, he said on television.

"The danger is if this thing is just permitted to evolve and suddenly blows up, and the Soviets have to act under the pressure of events, and we have to act under the pressure of events, there is no telling what might happen," he said.

"If they (the Soviet Union) agree to let the people of Eastern Europe determine their own fate then we can give assurances that none of this will be used for intelligence bases or military activity – that these countries will not become part of some military bloc that they might be concerned about."

Belgian bank cuts key rate

THE BELGIAN national bank yesterday cut its most important interest rate for the third time in less than a month, reflecting a general downtrend in Belgian interest rates, AP reports from Brussels.

The Banque Nationale de Belgique said it cut the rate on three-month treasury certificates to 7.3 per cent from 7.35 per cent. The rate on four-month certificates was cut at the same time to 7.35 per cent from 7.4 per cent.

The downtrend in Belgian rates began in late September. The relatively strong economy and international developments have made the decline possible, and this has boosted the securities markets.

Greek consumer price rises put inflation target in jeopardy

By Andriana Ierodiaconou in Athens

CONSUMER PRICE inflation in Greece surged by 3 per cent last month, compared to a 2.2 per cent increase in the same month in 1987. The September figure has raised doubts whether the authorities will be able to achieve their goal of reducing the December-on-December rate of inflation from approximately 16 per cent last year to 12 per cent this.

September is the third consecutive month this year to register a greater increase in the retail price index than the same month of 1987

According to figures released by the Economy Ministry, in the period from January to September 1988, the index rose by 9.2 per cent, not far behind the 10.1 per cent increase registered during the same period last year.

The ministry put a brave face on the developments, stressing that the nine-month figures were "the most favourable in a decade".

In an indirect acknowledgement, however, that hopes of reducing inflation substantially in 1988 have received a blow, the announcement added that "inflation has become a structural problem in Greece, which requires time to combat."

The authorities have already conceded that the budget deficit will be overshot significantly this year, as a result of both a lag in revenues and higher-than-planned expenditures.

As it was, the Dr957bn (£3.7bn) deficit originally set by the 1988 budget represented a record. This figure has now been revised up to Dr1.1 trillion (million million).

The expected overshooting in turn gives the lie to government predictions of an improvement this year in the net public sector borrowing requirement (PSBR), which in 1987 reached 13.5 per cent of gross domestic product.

The figures suggest rather that the reduction in the PSBR as a percentage of GDP which the Greek Government had succeeded in bringing about in 1986 and 1987 by dint of a painful economic stabilisation programme, will be reversed this year.

OVERSEAS NEWS

Tokyo envoy may be recalled after fund revelation

By Ian Rodger in Tokyo

JAPAN'S ambassador to the European Community in Brussels, Mr Munenki Date, may be recalled following revelations in Tokyo yesterday of his involvement in a private investment fund operated in Switzerland by and for Japanese diplomats.

The fund's existence came to light in a newspaper report that Mr Date and four other foreign ministry officials had filed suit against a former colleague, Mr Hideaki Wada, seeking the return of their funds.

A Foreign Ministry official said yesterday that the ministry was still investigating the incident, but it was clear that Mr Wada, who resigned from the ministry for private reasons in March, 1987, had broken the rules prohibiting public officials from engaging in commercial activities.

It was not clear if Mr Date and the four other officials had done anything wrong, but the ministry said that what they did was "thoughtless", and strong sanctions were being considered. Mr Sosuke Uno, the Foreign Minister, has sent a note to all diplomats warning them not to engage in any activity that might harm Japan's image.

According to the suit filed in the Tokyo district court, Mr Wada, who was an attaché at the Japanese Government's delegation to the international organisations in Geneva, began operating a fund for friends within the ministry about three years ago.

The suit, which seeks repayments totalling Y50m ($350,000), says that Mr Wada unilaterally notified the five officials last September that he was liquidating the fund. Since then, he has allegedly been postponing repayments, citing losses following the global stock market crash last October.

Quantity not quality on Japanese screens

Ian Rodger reports that the programming standards permit almost anything

THE image most British people have of Japanese television comes from the cocktails of episodes from bizarre and mindless quiz and challenge programmes presented occasionally on British television by Mr Clive James.

That image is, for the most part, depressingly accurate. Japanese television provides daily proof that more quantity certainly does not necessarily result in more quality. It also demonstrates that slavish adherence to the principle of freedom of expression can lead to a lot of unpleasant programming and invasions of privacy.

The Japanese television broadcasting system, like that in the UK and some other countries, is a hybrid of public and private enterprises. NHK, the public sector company, is largely modelled on the British Broadcasting Corporation, with one channel for general programming and another concentrating on educational and cultural programmes. Also like the BBC, it has a range of radio stations and an overseas service, and it relies on a user fee rather than advertising for its revenue.

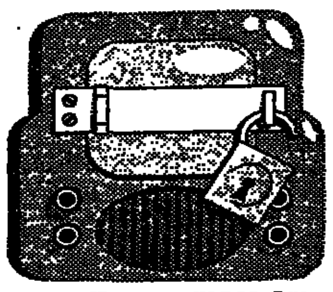
The private sector consists of five national networks which compete ferociously for audience ratings which can be converted into bigger advertising revenues. Their programming is notorious for being fatuous and is often violent and mildly pornographic.

Indeed, by 1959, only two years after television broadcasting began on a large scale, the Government had to amend the broadcasting act because of complaints from the public about the programming. The political power of the broadcasters was already established, however, and the amendments were toothless, only obliging each broadcasting company to establish voluntary standards.

The Broadcasting Act had stipulated that ownership of television stations should be restricted so as to prevent any undue concentration of power. In particular, no station owner should own more than 10 per cent of another station and no newspaper company should hold more than 10 per cent in a television station.

In practice, regional television stations quickly formed alliances with one of the large Tokyo-based stations to gain access to material from the capital. The five leading national newspaper groups, Yomiuri, Asahi, Mainichi, Sankei and Nikkei, each formed exclusive alliances with one of them, creating immensely powerful organisations.

In the early 1970s, further complaints arose over the amount of time devoted to commercials and the accuracy



of claims made in many of them. In 1975, the industry responded to the complaints by limiting advertising to 18 per cent of broadcast time and publishing a list of advertising and programming content standards.

The programming standards are remarkable for prohibiting virtually nothing, provided that illegal or immoral acts are not portrayed "favourably or attractively" and provided that what is shown does not "unduly" upset children's feelings or arouse "undue" passion.

There is no specific suggestion that certain types of programme should not be shown during hours when young children are up and, in fact, some daytime programming would make Mrs Mary Whitehouse turn pale.

Most programming on the commercial channels, however, is simply silly – consisting of endless chat shows, popular song contests and quiz programmes, aimed mainly at teenage and young adult audiences. In fairness, there are some well-made dramas, especially Samurai period pieces, and news programmes are of a remarkably high standard.

NHK programming is generally of a higher standard, as the organisation does not have to compete for ratings. But it, too, is caught up to a considerable extent in the frenetic pace of creating what might be called disposable programming.

NHK, like the BBC, also has to fight constantly to convince its audience that its news programming, in particular, is not influenced by the Government. NHK governors are named by the prime minister with the consent of the Diet (Parliament).

The Ministry of Posts and Telecommunications (MPT), which regulates the broadcasting industry, seems unconcerned by complaints about content. An official in the MPT's broadcasting bureau said recently with pride that Japan was the most liberal country in the world for television broadcasting, with the least government interference.

As in other countries, the existing structure of the broadcasting industry is being upset by new technologies. NHK has operated a two-channel direct broadcast satellite service for the past two years, and it has become increasingly popular mainly because of its blanket coverage of major sporting events, such as the recent Seoul Olympics.

Until recently, cable television has been used only to provide an English language television service to a handful of hotels and apartment buildings in Tokyo and Osaka. Now, it is spreading rapidly, partly because operators tend to provide the NHK satellite services plus the US Cable News Network (CNN), and the Government is providing interest-free loans to local CATV developers.

However, there is no indication that the motivation for these capacity-increasing developments is the so-called narrowcasting concept – that is, to force broadcasters to specialise rather than all aim for the lowest common denominator mass audience.

The Government's sole policy thrust in the broadcasting sector at the moment is regional development. It hopes to increase the number of television outlets in the remote regions in response to public demand.

The first article in this series appeared on Page 3 on October 11.

Koor to make plea to Bankers Trust

By Andrew Whitley in Jerusalem

A LAST-ditch effort to persuade Bankers Trust, the US bank, to drop its court application for the winding-up of Koor Industries, Israel's largest industrial conglomerate, will be made at a meeting in New York today between top officials of both sides.

Mr Benjamin Gaon, the Koor chief executive whose resignation the US bank is seeking, left Tel Aviv for New York yesterday, accompanied by Professor Eitan Berglass, chairman of Bank Hapoalim.

Hapoalim, Koor's largest creditor, is a sister-company operating under the umbrella of Hevrat Ha'Ovdim, the Israeli labour federation's holding company. As such, it has taken a lead in helping resolve the most serious crisis to afflict Israeli industry in recent years.

Under proposals drafted on Monday, at a meeting chaired by Mr Moshe Nissim, the Finance Minister, Koor is expected to invite Bankers Trust to join an already arranged Israeli bank "lifeboat." Drastic changes in the group's medium-term recovery programme – possibly involving a loss of effective control by Hevrat Ha'Ovdim – may also be offered.

Amid warnings from senior Israeli officials, including Prime Minister Yitzhak Shamir, that the outcome of the Koor affair could hurt the country's financial standing abroad, Bankers Trust has reportedly been bombarded over the past two days with telephone calls from anxious Israeli bankers.

At the same time, the Shamir Government is signalling its willingness to stand firm behind Koor by providing whatever financial guarantees are necessary for the rescue operation being co-ordinated by the leading Israeli banks. On past precedent, this is likely to involve a raising of credit ceilings set by the Bank of Israel for individual borrowers, to inject greater liquidity into the troubled concern. A small amount of direct state aid may also be provided.

Among those taking part in today's meeting with Bankers Trust management will be Mr Ram Caspi, a leading Israeli lawyer engaged by Koor to arrange its defence. According to company executives, no one line of defence has yet been finalised, pending the outcome of the meeting.

Excess liquidity raises inflation fears in S Korea

By Maggie Ford in Seoul

CONCERN is mounting that the South Korean economy may be overheating dangerously as repeated attempts to tighten monetary policy continue to fail to mop up excess liquidity and curb inflation.

The Bank of Korea, the central bank, has been struggling to keep the increase in money supply to an annual rate of around 18 per cent. But money has been flooding into circulation as wage rises run at three times the rate of price rises and the current account surplus mounts relentlessly. The bank has now announced that in spite of the issue of billions of dollars worth of Monetary Stabilisation Bonds to soak up liquidity, money supply by the end of the year is likely to be 25 per cent higher than the previous year.

Preliminary trade figures issued for September show a surplus of $1.16bn, up 50 per cent on the same month last year and taking the accumulated surplus for 1988 over the $10bn mark after nine months. The Government's original target was a $9.5bn surplus for the whole year.

The annual inflation rate is running at more than 6 per cent, according to official figures, after several years of around 4 per cent or below.

Inflationary push is exacerbated by the inflow of speculative funds from overseas.The Government has introduced regulations to cut down on property speculation

Ozal to 'free interest rates' fearing run on lira

By Jim Bodgener in Ankara

TURKEY'S Prime Minister, Mr Turgut Ozal, faced with a run on the lira, said last night that interest rates would be freed, without specifying which rates he meant.

His comment followed widespread expectation that deposit rates, which range from 10 per cent for sight deposits to 64 per cent for one year, would be allowed to float.

According to the semi-official Anatolia news agency, the Prime Minister said freeing interest rates would help curb inflation, attract funds into lira deposits and end the fall.

Turkish businessmen, bracing for a rapid escalation in borrowing charges, said Mr Ozal's statement indicated that the private sector would bear the brunt of measures to curb inflation, which has exceeded 80 per cent.

The Turkish currency has come under heavy pressure in the unofficial (but tolerated) free market, as an abundant supply of lira, swollen by annual payments to farmers and civil servants, chases scarce foreign exchange.

Algeria 'quiet' as Paris protests grow

ALGERIA was reported quiet yesterday, except for an occasional gunshot in the capital, as the nation digested President Chadli Bendjedid's pledge of political reform following a week of anti-government riots, Reuter reports.

While some Algerians greeted the President's promises with scepticism – in part because he did not specify the reforms – many expressed relief he had acted to end the violence.

Although the Government has given no exact casualty figure in six days of rioting, unofficial estimates put the death toll in clashes with security forces at nearly 200, mostly youths under 25 years old. The national news agency APS reported that crowds yesterday demonstrated across the country in support of the President.

Meanwhile France's large Algerian immigrant population is increasingly resentful at the muted reaction from President François Mitterrand and his Government to the wave of violence that has engulfed their former homeland.

"Chadli is an assassin, Mitterrand is his accomplice," an estimated 500 demonstrators shouted at a protest in central Paris on Monday.

Demonstrators criticised the *French Government's refusal* to condemn the army's use of force in quelling the protests in Algeria while it often attacked dictatorships around the world.

French riot police have prevented demonstrations near the Algerian embassy.

"In Chile, France cried 'shame' when they used water cannon on demonstrators. In Algiers they've been shooting six-year-old kids and France says it feels sympathy for Chadli," said one young demonstrator.

France's only official reaction to the Algerian crisis so far has been a message of sympathy from Mr Michel Rocard, the Prime Minister, to Algeria's ambassador in Paris.

Mr Jacques Pelletier, a centrist who is France's Minister for Overseas Aid, made the strongest criticism yesterday when he said that Mr Chadli's televised speech to the nation on Monday "may not have served to ease the conflict."

Mr Pelletier said: "These proposals are not very promising for the demonstrating youth," adding that France could not remain detached from the crisis. The 1m Algerians form the largest immigrant population in France.

Algerians have flooded French telephone networks trying to call home after French press reports that *hundreds have been killed during a* week of rioting

Police scuffle with about 1,000 protesters outside Taipei's parliament yesterday, in continuing demonstrations against a decision to reimpose tax on stock market gains. Meanwhile, share prices continued to fall yesterday. The weighted index, which dropped 183.33 points on Saturday, sent another 199.08 points to close at 6,886.51 points.

Banks agree new lending to Manila

THE Philippines' commercial creditors have agreed in principle to lend the heavily indebted nation more money, President Corazon Aquino's office said yesterday, Reuter writes from Manila.

It said the banks had decided in New York last week to wait *for the Philippines to complete* a new financing deal with the International Monetary Fund before reconvening talks in about eight weeks. Manila wants up to $2bn, officials said. The Philippines' creditor banks accounted for about $15bn of the country's total $28.95bn debt at the end of April.

● The US and the Philippines *have reached a tentative agree*ment under which Washington would provide a $500m a year compensation package to run until 1991 for the use of the six US bases in the islands, according to reports in Manila.

The US currently pays $180m a year and the Philippines had been demanding an increase to $1.2bn a year. The new deal is said to include $456m over two years in mixed support.

Tourism is NZ's big earner

Tourism became New Zealand's leading source of foreign exchange earnings for the first time in the fiscal year that ended on March 31 1988, according to figures released yesterday by Mr Jonathan Hunt, Tourism Minister, AP-DJ reports from Wellington.

The data compare earnings from tourism with those from New Zealand's big exports such as meat, wool and dairy products. Tourism earned NZ$2.27bn (£830,000) in the year, up 18.1 per cent from NZ$1.92bn the year before.

Meat exports fell 3.9 per cent to NZ$2.04bn in the last fiscal year from NZ$2.12bn the previous year when they were the top source of foreign exchange. The next largest earner, raw wool exports, rose 6.4 per cent

Indian opposition forms new party

By K.K. Sharma in New Delhi

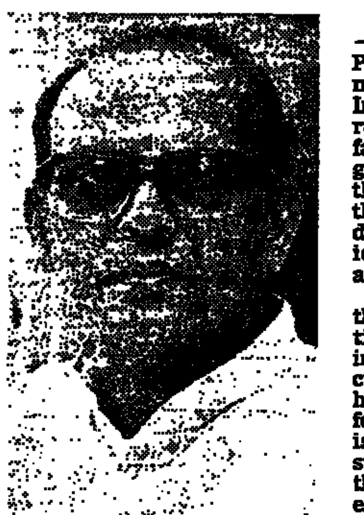
FOUR Indian opposition groups yesterday decided to merge and form a new party – the Janata Dal (People's Party) after weeks of squabbling over issues ranging from leadership to the name of their new organisation.

This claims to be the "national alternative" to the ruling Congress (I) party. The Janata Dal will be led by Mr Vishwanath Pratap Singh who was expelled by Mr Rajiv Gandhi, India's Prime Minister, from Congress (I) last year in the midst of controversies over defence deals that raged for nearly 18 months.

Mr Singh is Mr Gandhi's former Finance and Defence Minister and since his expulsion has been campaigning vigorously against both the Prime Minister and corruption in public life.

He formed his own Jan Morcha (People's Movement) to "cleanse" Indian politics and was chosen as the common opposition candidate in the prestigious by-election in the Allahabad parliamentary constituency six months ago. He won in a landslide and is now considered as Mr Gandhi's main rival.

The formation of the new



Singh: rival to Gandhi

party is important because many feel that Mr Gandhi will call national elections before the end of 1989 when they are due. Since Congress (I) has always benefited from the disunity among India's many opposition parties, the merger of the four groups could be a landmark.

However, although the four – Jan Morcha, the Janata Party which ruled India for nearly two years after Mrs Indira Gandhi's emergency rule, a faction of the Lok Dal (a farmer's party) and the Congress-S, a breakaway group of the Congress (I) – announced they would merge, a formal dissolution of their individual identities has not been announced.

This could take time while the leaders of the parties continue to squabble and could impair opposition unity at a crucial moment. The leaders have been quarrelling in public for several weeks over merger issues. No common policy statement has been issued and they have yet to announce an election programme.

The four parties are, however, constituents of a front of seven opposition parties formed about three months ago to agree on just one candidate to take on the ruling party's nominee in the coming election. Despite this, the Indian opposition remains disunited because the two Communist parties and Bharatiya Janata, the right-wing Hindu nationalist party, have decided to retain their separate identities.

Party leaders in talks on Karabakh

THE COMMUNIST Party leaders of the Soviet republics of Armenia and Azerbaijan met yesterday in Stepanakert, capital of Nagorno-Karabakh, for talks on the disputed region, Tass news agency reported, Reuter reports from Moscow.

Mr Suren Arutyunyan of Armenia and Mr Abdul Vezirov of Azerbaijan heard a report on the region by Mr Genrikh Pogosyan, party chief in the enclave. The two leaders held a similar meeting in Stepanakert *in August*.

"It was pointed out that in the existing situation it is extremely essential to look for compromise ways to solve problems and meet each other halfway," Tass said.

On Monday Tass reported a *night curfew, imposed on the* Azerbaijani region under a state of emergency, had been reduced to five hours. But it said life had still not returned to normal although some strikers had returned to work.

Ethnic tensions in the region, where 75 per cent of the population are Armenian, have erupted frequently over the past eight months in strikes and violence.

More than 30 people have died since the trouble started in February, most of them in anti-Armenian riots in the Azerbaijani city of Sumgait the same month.

The unrest was sparked by demands by the regional government for the territory to be transferred from Azerbaijan to Armenia. The Kremlin rejected the demand, but called for a *development programme for* Nagorno-Karabakh.

AIDS strikes at Zambia's base

Tests indicate that 200,000 are infected, says **Victor Mallet**

MR John Banda, 34 years old, works as an odd-job man at a school near the Zambian capital Lusaka. He is dying of AIDS – Acquired Immune Deficiency Syndrome. He has not told his wife, his two children or his mistress. While he is obviously sick, neither his family, nor his employers, nor his neighbours have any idea what is wrong with him.

The case of Mr Banda (not his real name) is typical of the thousands of AIDS victims in Zambia and the rest of central Africa, where the disease has become a frightening human and social tragedy. The situation is worsened by ignorance, poor health services, drug shortages and official ambivalence about the gravity of the crisis.

The disease strikes at the most productive section of the population. It threatens to undermine fragile African economies already burdened with crumbling infrastructure, heavy foreign debts and a lack of the skills desperately needed for industrial and agricultural development.

"At the moment I have bad eyesight, body pains and these nodules also," says a swollen-faced Mr Banda, pointing at the *telltale* spots on his arm of Kaposi's sarcoma, a type of cancer characteristic of AIDS victims. He is on chemotherapy. "Breathing is difficult and I have fevers," he says.

He accepts an injection, some painkillers and a packet of condoms from a medical officer in his bare concrete hovel. He tells his girlfriend the condoms are to prevent from getting pregnant.

There have been 993 recorded cases of AIDS in Zambia, although some doctors believe the true figure could be 10 times as high because of under-reporting.

Results from the 33 blood testing centres established by the Government and the World Health Organisation suggest that about 200,000 Zambians carry HIV (the human immunodeficiency virus). They risk dying of AIDS, as well as passing on the infection to others.

Without remarkable changes to the present regime of promiscuous sexual behaviour, AIDS researchers say, within 10 years as much as half of the population of 7m could be HIV carriers. Surveys in badly-affected urban areas such as Lusaka already suggest rates of between 15 and 30 per cent among adults.

More than a third of the patients at the overstretched main hospital in Lusaka are thought to have HIV-related complaints. In the long term, the AIDS epidemic may even reverse the rapid growth of central African populations.

In the early 1980s it was the young, mobile, highly-educated Zambians who seemed to be worst affected. Now the disease is common throughout the social spectrum, although soldiers and truck drivers are particularly at risk.

One nurse who ministers to AIDS patients said she tends to Zambians *from all walks of* life. "I see people who come in rags, a large number who don't speak English, subsistence farmers, factory workers, people in the security forces, businessmen and people who work at the university level," she says. "The youngest person I've seen – apart from babies who get it from their mothers – was 16 years old, a boy who died. The oldest was a man of 77, who died too. He had three wives."

Most of the sufferers, however, are young men and women of working age who have caught AIDS through heterosexual intercourse. Often their friends and colleagues – and the official statistics – will say that they have died of malaria, pneumonia, tuberculosis or some other *common illness. "If I was an* investor," says one doctor, "and somebody asked me to put money into Zambia I'd say – given what I know about AIDS – that it would be a waste of money."

The response of the Zambian Government and the business community is surprisingly hesitant. Employers' organisations say they have hardly discussed the impact of AIDS. The state-controlled copper mining company refuses to talk about it, although a Zambian researcher told a recent AIDS conference in Stockholm that pre-employment screening and forced retirement would have to be introduced to maintain a viable mining industry.

AIDS appeared in Zambia only this decade, and the long period during which the virus *generally has no effect on the* carrier is partly to blame for the lacklustre response. Although President Kenneth Kaunda's announcement last year that his son had died of AIDS jolted some Zambians out of their complacency, the full impact of the disease has yet to strike home.

"By the time it really hits businesses, say half a dozen victims in a company of 50 employees, it will be too late to do anything about it," says a Copperbelt employer who is trying to screen job applicants *for* HIV.

A grasp of Africa's AIDS problems is equally limited overseas. On one hand alarmists predict the possibility of disaster for the Copperbelt in Zambia and Zaire, and on the other, many researchers and commentators focus their attention almost exclusively on the problems of homosexuals and drug-abusers in the West.

The authorities in Zambia resent what some see as racist allegations that AIDS originated in Africa, fearful of the *effect of AIDS publicity on* investment and tourism, and fatalistic about their ability to cope with yet another public health disaster and yet another economic crisis.

But Dr Sam Nyaywa, Chairman of the national AIDS Surveillance Committee, is confident from his own observations at Zambian nightspots that the educated elite at least is beginning to see the light and to be more wary of casual sex.

"Wherever you go, people are talking about AIDS," he says. "I think the situation will improve."

Radio broadcasts in vernacular languages and garish posters are urging Zambians to beware of AIDS booklets calling *for sexual restraint* are being sent to the largely unaffected pupils of primary and secondary schools and condoms – despite opposition from the churches – are being distributed to those at risk. Whether all this will be enough to avert catastrophe remains to be seen.

"We predict serious losses to the economy, including agriculture, medicine and the civil service," said Dr J. Wilson Carswell in a recent paper on the impact of AIDS in the developing world.

"There is no recent model for a community disaster of this magnitude to help us predict the effects on morale and behaviour to be expected . . . There are no precedents to guide us. This epidemic will not end, like most wars, nor will it burn itself out like an outbreak of influenza."

Burmese students flee crackdown

About 3,000 Burmese students fleeing an army crackdown on dissent have taken refuge with ethnic minority rebels fighting the Burmese Government, state radio said yesterday, Reuter reports from Bangkok. The army-run radio, monitored here, called on parents to fetch the students from rebel-held areas where they faced malaria, hunger and other hardships.

It said 2,000 students had fled to Karen areas and another 1,000 had joined the small Mon minority along the border with Thailand. A dozen minorities have been fighting for autonomy from ethnic Burman-dominated central rule for decades.

India interference alleged

Mrs Sirimavo Bandaranaike, the former Sri Lankan Premier, and her son Anura, the opposition leader, yesterday accused Mr Mani Dixit, the Indian High Commissioner to Sri Lanka of interference in the island's internal affairs, Mervyn de Silva writes from Colombo. Both reacted angrily *to a statement attributed to Mr* Dixit in a newspaper article that neither Mrs Bandaranaike (opposition candidate at the December presidential elections) nor the opposition leader had mentioned their party's intention to "abrogate" the Indo-Sri Lanka peace accord when he had spoken to them at separate meetings recently.

OVERSEAS NEWS

Priming the ski slopes in Pakistan

Christina Lamb looks at the 26-year build-up towards rapid descent

THERE can be few places in the world where lovers of the downhill ski-slope can take a rickshaw to *the piste, or, for that matter,* go by donkey.

Not that many skiers – sticks, boots and all – would want to reach the slopes that way. Pakistan's first ski resort, which should be up *and running by the end* of this year, will have more traditional forms of ski transport too.

It is thanks to an Austrian ambassador, desperately missing the slopes of home, that the ski resort, in the far north of the country, has come into being, albeit after 26 years and innumerable problems since the idea was first mooted.

In 1962, travelling around Pakistan's Swat Valley by foot and horseback, the ski crazy diplomat came across a place he declared the equal of any ski-ing location in his home country, and offered Austrian assistance to turn the place into a winter wonderland.

At *first sight,* the *ambassador's* assessment was not far wrong.

The newly-constructed hotel may look a little austere and the resort a little inaccessible (six hours drive from Islama*bad or a short flight and heli*copter jaunt), but the setting is perfect.

It is at an elevation of 3,000 metres and under 4 metres of snow in winter.

Locals say that Malam Jabba, nestling in a coronet of pineclad mountains, welcomes visitors with garlands of cloud.

The ambassador had not, however, reckoned with Pakistani bureaucracy, nor with all the practical difficulties that lay ahead. Austria agreed to provide technical assistance, free ski-ing equipment, and a large loan for importing chairlift machinery and hotel installations from Austria.

It sounds simple. But, as many investors in Pakistan have found, the problems are – and were – manifold.

Large bureaucratic machinery, among other things, means vast quantities of paperwork have to be worked through; in addition to the difficulities getting goods through Pakistani customs.

The country's lack of infrastructure meant everything had to be *constructed* from scratch, including a road to the site.

The Government has introduced tax free incentives in *many undeveloped areas to* encourage investment but this is often small compensation for the immense costs in time and money of arranging facilities such as water, roads and power.

When the suggestion to introduce ski-ing to Pakistan arose, tourism came under the ministry of aviation.

The ministry approved a scheme in 1965 at an estimated cost of 9.5m rupees with a foreign exchange component of Rs3.5m. War broke out with India shortly afterwards, and the funding was held up.

In 1962, a ski-crazy diplomat travelling Pakistan's Swat Valley by foot and horseback, came across a place he declared the equal of any ski-ing location in his home country of Austria. His vision of a winter wonderland eventually came true.

The years until 1974 were spent building a road and arranging water and power supplies. By this time the cost of the project had jumped five-fold.

It was 1976 before Austria formalised the loan agreement for Sch30m ($4.7m) with the *delay caused by Indian allega*tions that Pakistan wanted the resort to train their army to fight in mountainous terrain such as the disputed area of Kashmir.

After the coup in Pakistan in 1977, tourism shifted from one ministry to another, visiting commerce and even minority affairs before ending up with sports and culture.

In 1980, a company called Malam Jabba Resort was set up in Karachi (more than 1,000 miles away from the proposed resort) by Pakistan Services Ltd (PSL), then a subsidiary of the Government-owned Pakistan International Airlines, and *now* owned by the Intercontinental group.

Work finally began on an 80-room hotel with swimming pool, sauna, skating rink and chairlift.

After two years, PSL realised that the project would require almost twice the Rs44.65m sanctioned, and decided to reduce the scope of the project drastically, constructing only a chairlift and a single storey restaurant.

However, a five-floor structure was already in place. The contractor, who had quoted rates on the basis of 80 rooms, quit, *to be joined two years* later by the architect.

The ministry of tourism, fearing that the project was getting out of hand, took on the project itself, and the ministry's joint secretary became managing director.

By this time the Austrians were becoming impatient. Ten years had gone by without a penny of their loan being used.

When Mr Shakil Ahmed took over as joint secretary at the tourism ministry in 1986 his reaction on seeing the site was complete horror. "After 24 years there was nothing but an empty shell."

Most of 1986 was spent demolishing previous work. The idea of a basement swimming pool was abandoned, and it was decided a three storey hotel would be created.

Mr Ahmed has spent much of the past two years suffering from what he calls "Malam Jabba syndrome."

The chairlift equipment arrived from Austria and duly got lost at Karachi customs. When it was released, transport proved a nightmare. Mr Ahmed believes that "even Nasa did not face such problems launching its first space station."

The 15-tonne, 28-foot drive station, encased in glass, was abandoned by the transporter in a petrol station, five hours drive away from the resort.

The Pakistan airforce, *among others, including* the state works corporation, refused to touch it.

Eventually, the men from the ministry hired a truck and shifted it themselves. The drive station and the eight three-*tonne towers for the chairlift* had to be installed manually, with 300 men carrying them up the slope on logs.

Even then the nightmare was not over.

An Austrian expert suddenly declared the slope unsuitable for ski-ing. He said it was so steep that skiers would reach the bottom in one minute.

By then the project had cost more than Rs100m, 20 per cent of which came from Austria in *loans. The slopes just had* to be made suitable.

Now that the project, long thought jinxed, is almost complete, Pakistan is hoping to attract the private sector, particularly a foreign company, to *operate the resort.*

It also hopes the private sector will put in a helicopter service, linking the resort with the nearest airport.

The hotel will have a billiard room, skating rink, satellite television, craft shop and perhaps even a bar.

The Austrians have trained a doctor in ski-ing injuries and are sending three instructors for the ski school.

The *après ski* at Malam Jabba may not be in the same league as St Moritz, although the locals may be persuaded to put on a bagpipe show or to fire off a few rounds, but by Chistmas the slopes should be peppered with skiers.

Under Islamisation, Pakistan is starved of Western-style entertainment facilities; both drinking and dancing are banned.

Nevertheless, Mr Ahmed believes the resort will attract many young people as well as foreign diplomats from the capital.

Skiers are unlikely to run into any crowds on the piste, nor are the slopes likely to be overrun by visiting heads of state, but at Rs20 per day (just over a dollar) for the hire of equipment and lift (free for hotel guests) there should be few complaints.

Moscow forms first joint stock trading company

By Quentin Peel in Moscow

THE SOVIET UNION has established its first joint stock trading company, Sovfintrade, in an effort to boost its fledgling export drive.

The operation, established by the six Soviet state banks, the Ministry of Finance, foreign trade associations and state enterprises allowed to export directly, is supposed to act as an intermediary for the new generation of Soviet exporters entering the world market.

Its major functions will be to provide financial advice and assistance to Soviet exporters, help them identify potential markets, and provide a countertrade clearing house for barter operations.

Sovfintrade will operate completely outside any state plan, be required only to produce a profit and pay a dividend to its 19 state shareholders, according to Mr Yuri Kondratyuk, the newly-appointed chairman.

Mr Kondratyuk has been seconded by the Soviet Foreign Economic Bank - one of the major partners, and previously the only Soviet financial organisation allowed to manage foreign currency accounts.

"Our main aim is to help Soviet exporters," he said. "At the same time, we are entitled to facilitate the entrepreneurial activities of foreigners in the USSR."

A key function will be in countertrade, seeking to introduce more flexibility into Soviet trading, by marketing goods acquired in barter transactions, and obtaining hard currency for the Soviet exporter.

Another activity will be in putting together financial packages for Soviet exporters, including bank loans, commercial credits, leasing, factoring, and similar instruments.

The inspiration for Sovfintrade has come from the dismantling of the Soviet trade monopoly once held by the defunct Ministry of Foreign Trade. That has now been broken up, to give individual ministries and state enterprises the right to trade directly.

Soviet officials are worried that, by exposing individual enterprises to the individual market, they will lack the information and expertise to operate, another reason for setting up the new venture.

Whereas traditional Soviet foreign trade organisations were restricted to individual sectors of the economy, the new organisation "can go into any goods, in any sector, and any country."

A major aim of the Soviet export drive is to raise the proportion of manufactured exports as against oil and other raw materials.

Indonesia agrees barter deal with Iraq

By John Murray Brown in Jakarta

INDONESIA, in its second big countertrade deal in a month, has agreed terms with Iraq under which Baghdad will supply crude oil in exchange for various Indonesian products. The deal is worth around $300m.

The deal, announced this week by Mr Ginandjar Kartasasmita Indonesia's Energy Minister, follows a similar agreement with Iran initialled in September.

Iraq will supply up to 30,000 barrels of crude a day – roughly the same amount as Iran – for Indonesia's Cilacap refinery in Central Java. Cilacap requires around 85,000 barrels of crude to produce lubricants and fuel oils, and has hitherto relied on Arabian Light. Indonesia is still expected to take Saudi crudes, to make up the balance.

Both trades will involve cash transactions using an escrow account, in which funds are temporarily frozen, in New York. Pertamina, the Indonesian state oil company, will arrange offtake of the crude. Comexindo, a private Indonesian company, is to handle the Indonesian side.

US banks back-pedal on export credits

Nancy Dunne looks at the shortfall in finance and advice hampering small businesses

US EXPORT credit, a vital component of competitiveness, has become increasingly elusive in spite of the exhortations from government officials for US companies to join an export-led economy.

The commercial banks have been furiously back-pedalling from export financing on the grounds of needing to meet more stringent capital adequacy guidelines and of having more profitable things to do with their money.

A recent survey by the state of Maryland found small and medium-sized companies citing lack of financing as the major reason for not engaging in export activities. Maryland banks were said to have "a lack of appetite" for small transactions, while there is also said to be "a prevailing practice of not lending...unless these are fully secured."

At the same time, the US Export-Import Bank, which used to grant billions of dollars a year to finance major projects, has had its direct loan budget cut to an inadequate $695m for fiscal 1989. (It is already holding requests for $780m of financing for Brazil).

Last year Eximbank allocated every cent of its $692.9m lending allowance and was forced to suspend most of its direct lending in August when the ceiling was reached.

With the US now a debtor nation, no government expenditure can be taken for granted. Congress even cut what once would have been a paltry $1.4m out of Eximbank's administrative budget request, putting some of its innovative small business programmes at risk.

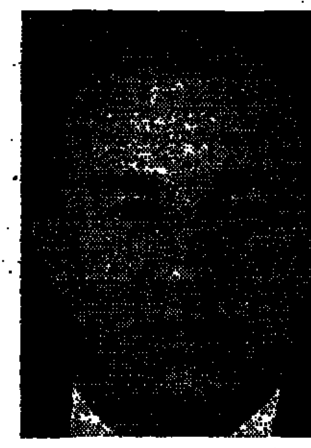
The squeeze is particularly hard on small and medium-sized companies, whose growth in this international economy is increasingly dependent on learning to export.

In testimony last week before a House small business subcommittee, Mr John Bohn Jr, Eximbank chairman, warned Congress that it will be "increasingly difficult" for the agency to meeting the financing needs of its customers.

"We are already seeing a back-up of application turnaround time, however, and I fully expect it to increase during the coming year," he said.

The bank may have to scale down its city-state programme and marketing efforts both domestically and overseas. Services to exporters with small transactions are suffering.

"The projects we are dealing with these days are increasingly complex, even the small ones," said Mr Bohn. "They require more time for our loan officers to process and more input from applicants. These requirements can be particularly burdensome for small businesses...inexperienced in the complexities of international trade."



John Bohn: tougher times

As is the case with other faltering federal functions, several US states are trying to fill the void. Mr Albert Hamilton, senior associate with First Washington Associates, said his company has worked to develop export financing strategies with 12 states. Under contract with the US Commerce Department, it has also prepared a study of state export finance needs to serve as a general guideline.

But funding at the state level is scarce as well. Over the past three years, California has developed the largest of these schemes, providing almost $100m in support, but for short term guarantees rather than direct loans. With demand spurred by the cheaper dollar, more than $50m-worth of business has been signed on for this year alone.

Most of the state programmes, however, are even smaller, and many are still struggling to get off the ground. In all, 27 states have passed legislation to provide some sort of credit to exporters but only 10 have programmes in place and are actively lending, insuring or guaranteeing exports.

The Minnesota Export Finance Authority had a comparatively busy year. Yet it provided guarantees for only 14 transactions – up from eight in fiscal 1987 – worth $4.2m. The guarantees cover 90 per cent of each loan with a limit of $250,000 per transaction. Larger loans are jointly guaranteed with Eximbank.

Illinois has had an active programme, but, according to one Eximbank official, it was undercapitalised and has been "overleveraged."

Other states have been able to afford little more than advisory assistance. Washington state has a private, nonprofit Export Finance Assistance Centre to help small and medium-sized companies with the extensive paperwork needed to get loan guarantees from Eximbank and the Small Business Administration.

A centre official said the guarantees are vital because Washington's highly conservative commercial banks, although awash in funds, require the 85-90 per cent guarantees provided for many of the relatively small transactions of the local exporters. In fiscal 1988, the centre helped secure $9m in backing for seven deals, up from $7m for four deals in fiscal 1987.

Cities are also joining the export financing business through a pilot project organised by Eximbank. The Los Angeles Local Development corporation has been granted intermediary lender status to permit it to borrow fixed rate medium term funds for Eximbank for onlending to foreign buyers of US goods. Imperial Bank of Los Angles has granted the corporation a $15m line of credits to fund working capital loans in a risk-sharing scheme with Eximbank and the corporation.

In their incipient stages, the states are dwarfed by the demand for financing, but the possibility exists for impressive profits in well-run schemes

EC 'to apply reciprocity in financial services'

By Peter Montagnon, World Trade Editor

THE EUROPEAN Community will apply a broadly-defined reciprocity requirement when deciding whether to permit institutions from third countries to have access to its liberalised market in financial services after 1992, a senior EC trade official said in London.

Seeking to allay fears in the international community that reciprocity would be used as an instrument of protectionism, Mr Horst Krenzler, EC Director-General for external relations, told a conference organised by the Royal Institute of International Affairs and the Confederation of British Industry that reciprocity would not be applied on a rigid and narrow basis.

The idea that the EC would seek "mirror-image" rules of access from third countries before letting their companies into its own market was based on a misunderstanding.

Instead, it was seeking "global, comparable, access" from third countries, he said, drawing explicitly on a phrase used in the new US trade legislation. "It's a fair deal that we want from third countries."

Mr Krenzler's view which has yet to be confirmed by agreement among the 12 EC members themselves, drew a sceptical response from his audience of officials, businessmen and bankers.

The idea of reciprocity enjoys considerable appeal because it suggests fair and equitable treatment but it is difficult to operate in practice, said one delegate.

Mr Krenzler also acknowledged that some aspects of the EC's policy, especially the question of whether reciprocity yardsticks should be applied to foreign companies already operating inside the Community, were complicated and would probably have to be decided by the European Court.

He said the type of reciprocity requirement adopted by the EC would be close to "national treatment" for European companies in third markets.

This implies that they would be put on the same regulatory footing as local companies. For example, it would not be necessary for the US to repeal its Glass-Steagell Act in order to ensure that its own banks would be able to undertake Community-wide securities business after 1992.

"We can't expect third countries to have a mirror legislation," he said, although in bilateral case-by-case discussions the EC might require minor modifications ... if they involved discrimination against foreigners.

Mr Krenzler said that before an outside company is granted a licence to operate across the Community, the Commission will check to see whether all EC countries have equal access to the home country market of the bank in question.

Negotiations would be conducted on a case-by-case basis. "We want to provide ourselves with negotiating leverage," Mr Krenzler said, adding that the main priority would be to achieve multilateral liberalisation of the services sector in the context of the Uruguay Round of trade negotiations.

Hainan ventures for Thai group

THAILAND'S Jia Tai Group said it would take part in two projects involving investment of almost $400m in China's Hainan province, Reuter reports from Peking.

Jia said a subsidiary had signed a contract with Agricultural Development of Hainan to invest $300m in a farm to breed shrimps for export, the largest such agricultural joint venture in the province, the company said.

A second contract involves an investment of Yuan 350m to set up a stone polishing factory and a plant to produce 600,000 tonnes of stone materials and 800,000 tonnes of cement.

The company said Jia Tai's equity investment in both projects would be about 50 per cent

Malaysian rail deal for India

THE GOVERNMENT-owned Indian Railway Construction Company has been awarded a Rupees 1bn ($69m) contract for rehabilitation of railway tracks in Malaysia, reports K. K. Sharma from New Delhi.

The contract covers rehabilitation of 327kms of railway track between Selim river and Singapore on the west coast line of the Malaysian railway network. The work will see relaying of the entire length of the existing track by use of concrete sleepers, rail fasteners and ballast.

The contract is the second major one to be won by government-owned companies since efforts began earlier this year to bid for such projects in order to increase the country's foreign exchange earnings.

Danish group wins orders to sell cheese in France

By Hilary Barnes in Copenhagen

MD FOODS, the Danish dairy company, has secured two important orders to sell its cheese in France. It hopes the orders represent a breakthrough which will turn France into a market for Danish cheese ranking with Germany and Italy.

The first order is for 1,000 tonnes of Danish Emmentaler from Juragruyere Grosjean and the second, from Fromagerie Charles Gervais, for 500 tonnes of assorted cheeses.

MD Foods, with a turnover of DKr11bn (£912.9m), has recently changed its name and strategy, and decided to step up marketing under its own label. It has exported products under the Danish label rather than its own name.

Denmark exported 225,000 tonnes of cheese last year, worth DKr3.6bn. Major markets were Iran 80,000 tonnes, West Germany 33,000, the UK 12,200 tonnes, Japan 11,000 tonnes and Italy 9,100 tonnes. Exports to France were a modest 638 tonnes.

AMERICAN NEWS

US nuclear arms plants closed amid safety fear

By James Buchan in New York

THE giant industry that produces US nuclear weapons has been plunged into crisis with the closing of two big production sites amid startling revelations of lax safety precautions, bad management and inefficient equipment.

The US Energy Department, which runs the $8bn-a-year industry through private contractors, has admitted that the problems probably extend to each of the 17 main sites which produce, store and conduct research into radioactive materials for nuclear weapons. Meanwhile, officials of the Defence Department have warned that the shutdowns could make it difficult for the US to maintain its nuclear forces.

The Energy Department has shut down the sole US plutonium processing plant at Rocky Flats, near Boulder, Colorado, after a department inspector was exposed to radioactive contamination on a tour last month. In August, the department closed down three elderly reactors at the immense Savannah River Plant in South Carolina, cutting off the supply of the radioactive gas tritium to the weapons programme.

In a gloomy assessment of conditions throughout the industry, Mr Richard Starostecki, the department's chief expert in reactor safety, said: "At each facility, clearly there are difficulties. The pattern is repeated. We need to upgrade standards."

The scandal burst last month, when two Congressional committees looking into the department's management of the industry published an engineer's report on the Savannah River plants. The report, written by a supervisor for his superiors at the plant operator, the Du Pont chemicals group, in 1985 revealed that there had been 30 serious accidents at the complex since 1957.

In one incident in 1970, a radioactive rod melted, requiring three months of work to decontaminate the area. Senator John Glenn, the Democrat chairman of the Senate Governmental Affairs Committee, said after the hearing: "It will do us no good to build weapons to protect ourselves from the Russians if we poison our own people in the process".

The Energy Department says defensively that it inherited a deep-rooted tradition of secrecy about possible problems in making nuclear weapons that goes back to the development of the first atomic bomb by the wartime Manhattan Project. But it claims that under Mr John Herrington, Energy Secretary since 1985, there has been a big effort to identify and cure safety problems.

However the Pentagon has warned that unless the Savannah River reactors are restarted soon, it will be unable to replace decaying tritium in its existing nuclear warheads. Mr Robert Barker, the senior atomic energy official at the Defence Department, said last week: "To have these reactors not operational is tantamount to unilateral nuclear disarmament".

But in a further embarrassment to the Energy Department yesterday, Senator Glenn's committee heard evidence from Government investigators that visitors from the Soviet Union and Eastern Europe had been permitted easy access to nuclear weapons laboratories.

Survey shows sharp drop in US business confidence

By Anthony Harris in Washington

RISING worries about inflation and interest rates have caused a sharp drop in confidence in the US economic outlook, according to new surveys of consumers and industrial managers.

Some managers also report concern about the current election; polls suggest widespread disillusion about both candidates.

Consumer confidence, as shown by the Conference Board's survey of a panel of 5,000, has sustained its sharpest fall since the stock market crash a year ago.

In September only 28 per cent of the panel described the economic outlook as good, against 32 per cent in August.

However, confidence remains well above the levels which have in the past indicated a recession, according to the Conference Board.

Higher retail prices, which have recently been rising twice as fast as consumer incomes, and higher mortgage interest appear to be the main unfavourable factors.

A survey of 1,500 plant managers by Dun and Bradstreet underlines these inflation worries.

The majority of plant managers who expect to raise prices in the future jumped to 38 per cent in the fourth quarter from 32 per cent in the third.

Capacity constraints, strong export demand and rising labour costs were cited as the main causes.

There was a rise in the majority reporting rising unit costs to 55 per cent, from 47 per cent in the third quarter.

A separate survey of corporate finance controllers showed interest rates as the main cause of concern.

Most controllers, like the business economists who recently published their main annual forecasting survey, expect a recession in 1990, and 47 per cent of the controllers fear that it may occur next year.

They are worried that exchange rate fluctuations could add to the pressures caused by rising operating and finance costs.

Dukakis hits back on crime record

By Stewart Fleming, US Editor, in Washington

GOVERNOR Michael Dukakis, forced on the defensive by Vice-President George Bush over his record on fighting crime, yesterday accused his Republican rival of exploiting human tragedy.

"To use these human tragedies for your own political purposes I think is really a very crass and cynical thing," Mr Dukakis said in a television interview yesterday.

On Monday Mr Bush, pressing his charge that the Massachusetts Governor is a liberal who is not prepared to be tough with criminals, told an audience in Trenton, New Jersey: "None of us should rest until all our laws reflect the sympathy we should have for the victims of crime and the intolerance we should have for hardened criminals."

His remarks came after he had singled out of the crowd a woman whose mother had been raped and murdered and father beaten to death by two juveniles.

As he did with the issue of patriotism and the pledge of allegiance, Mr Bush has succeeded in making the issue of Mr Dukakis's stance towards criminals a focus of his campaign. It is one which voters, particularly swing voters in blue-collar neighbourhoods, feel strongly about. Many support Mr Bush's stance favouring capital punishment for drug dealers and tough sentences for hardened criminals. Mr Dukakis opposes capital punishment.

Mr Dukakis's angry response shows he is following advice to hit back hard when under attack. Again however, his response has been slow in coming.

The Massachusetts Democrat defended his position by saying that President Ronald Reagan, when Governor of California, had also approved a prison leave programme for criminals.

Mr Dukakis yesterday continued his theme of putting forward specific schemes to address issues by proposing $810m programmes to improve America's scientific base. One scheme aims to improve the scientific background of school teachers, while the other would train workers in new technologies affecting their jobs.

US business left out in the cold

Janet Bush on the cursory attention paid to corporate America

THE rapid pace of change in the structure of corporate America and the explosive takeover boom has touched the lives of thousands of American workers.

The crisis in the savings and loans and thrift industry could eventually cost the US Government tens of billions of dollars in bail-outs: the latest estimate from Federal regulators is $45bn-$50bn, but private economists believe the total bill could reach $100bn.

US financial institutions face formidable challenges from large, highly-integrated competitors from overseas.

Germane as these issues are to American business and finance, they have received, perhaps unsurprisingly, the most cursory of airings as candidates for the US presidency tour the nation.

As one Bush aide put it: "Off the record, these are not burning political issues and we haven't got down to the nitty gritty on policy in these areas".

The modest attention paid to these subjects by the two camps has mostly been confined to statements of the broadest ideological positions.

An aide in the Bush campaign's domestic policy research team characterises his candidate's position as "free market" in the most general sense and predicts that a Bush presidency would continue seamlessly to pursue Reagan-type policies towards banking, finance and corporate America.

These tend towards deregulation and the minimum of government interference with the behaviour of the private sector.

He contrasts this with what he describes as the "industrial planning" favoured by Governor George Dukakis.

The Governor speaks about building partnerships between business, labour and Washington and would use government

US CAMPAIGN '88 THE ISSUES: BUSINESS

subsidies to encourage private investment in the less economically vibrant industries and regions.

The candidates' approach to the crisis in the thrift industry is not dramatically different. Both are at pains to ensure that deposits will be insured.

Mr Bush believes a strong macro-economy is the ultimate answer to these problems, whereas Mr Dukakis advocates the usefulness of "innovative solutions to individual banking problems" and "patient, long-term, well-funded, creative disposition of the troubled institutions and their assets."

The Bush campaign blames spiralling interest rates and inflation under Democratic rule in the 1970s for the crisis. The Dukakis campaign accuses the Reagan administration of failing to back up federal regulators and thus leaving imprudent operators open to too much risk.

Their thoughts on banking deregulation are not much more precise. The Bush campaign favours deregulation of banks so that they can compete in a global environment and believes that allowing banks to undertake securities business will usefully diversify their risk.

Mr Dukakis, too, favours an overhaul but not full repeal of the 1933 Glass-Steagall Act separating investment and commercial banking. He believes banks should be given additional powers over the course of a few years and that strict firewalls should be set up between a holding company and its security subsidiary.

It seems that under either future president, banks will win more powers but it may cost them more and take longer under President Dukakis.

The differences between the two candidates are most marked on anti-trust laws and corporate takeover activity.

The Bush campaign argues that anti-trust laws have been vigorously enforced during the eight years of the Reagan Administration and would continue to be under Bush.

It touts two major achievements in this area. Firstly, the campaign says, the Reagan Administration has prosecuted more people for price fixing in takeover bids than ever before. Secondly, the Justice Department has rationalised merger guidelines, making it easier for companies to assess the risks in a prospective deal.

Mr Dukakis is scathing. "The current Administration in Washington has extracted the teeth from our anti-trust laws. Those statutes, which have protected the public for decades, are simply not being enforced." The Governor has said that he will support legislation granting state attorneys general greater authority than they now possess to bring anti-trust suits on behalf of injured consumers.

He also pledges to boost the number of attorneys working in the Justice Department's anti-trust division, after the cutbacks of the Reagan Administration.

The approach of the two campaigns towards the current corporate takeover and merger boom is markedly different. The Bush camp believes, as the domestic policy aide put it, that "it is no coincidence that the merger boom comes at a time of economic boom."

The Bush team argues that managements facing hostile takeovers and the bidders themselves are equally armed under existing takeover legislation, that "the playing field is even as things are now." As far as job losses related to mergers are concerned, the Bush camp believes that job re-training and a strong economy will take care of those made redundant.

Governor Dukakis finds the takeover boom far more worrying and expresses himself in strong language. "Too often these ventures are undertaken to make a relative handful of speculators fabulously wealthy or to satisfy the egos and thirst for power of a small minority of corporate chieftains."

He claims that nearly 70,000 jobs had been lost since 1985 as "targeted companies greenmailed, poison-pilled and junk-bonded their way through hostile takeovers."

The Dukakis campaign argues that the constant threat of takeover means that managers are fixated on the next quarter's earnings rather than on prudent, long-term investment and often take on unnecessary debt to defend themselves.

The Governor supports legislation which would increase disclosure requirements, ban golden parachutes and greenmail.

In contrast, the Bush campaign does not support new legislation to limit takeover options and methods.

It believes that the threat of takeover exerts a useful discipline on managements to improve performance. The same argument goes for the mountain of low-grade debt taken on board when a company accedes to a leveraged buy-out: the debt simply makes a management work harder.

Pinochet's backers fall out

By Barbara Durr in Santiago

GENERAL Augusto Pinochet's never-quite-unified coalition of civilian supporters is showing signs of greater division.

Leaders of one of the largest civilian groups backing Gen Pinochet, the Great Civic Front, a national network of independent civic groups, accused the Chilean regime's campaign managers of having lost the plebiscite. They are demanding the resignation of the chief of the Pinochet campaign, Mr Sergio Fernandez, the Interior Minister, and Mr Orlando Poblete, the Minister of Government.

They also blamed the business community for the General's defeat for failing to share the benefits of Chile's economic boom with workers. Chilean real wages are no higher than in 1971, according to opposition economists.

At the same time, the leading conservative party, National Renovation, is in open disagreement with Gen Pinochet on whether the 1980 constitution should be amended. Mr Sergio Jarpa, president of National Renovation, says the constitution "cannot be immutable". He warns, however, that it should not be modified with every change of circumstances.

Gen Pinochet has specifically refused to consider any change in the constitution that would accelerate Chile's return to democracy.

Leaders of the National Renovation are to meet soon to define the party's position, Mr Jarpa said. He has consistently contended that Gen Pinochet should not have used a plebiscite, but should have run in open elections. If he had, the General might have had a better chance of winning.

Despite losing the plebiscite, the notion of the General standing in the presidential elections to be called, according to the constitution, at the end of next year, is gaining ground. The idea was directly suggested by retired Vice-Admiral Patricio Carvajal, the Minister of Defence. He said that after consulting lawyers, he believed that Gen Pinochet could run if he resigned before elections were called. The constitution forbids consecutive re-election.

Vice-Admiral Carvajal said he thought an amendment to the constitution to make Gen Pinochet's candidacy legal would be "more complicated".

Gen Pinochet has meanwhile urged his supporters to remain unified and alert.

Peru faces one-day general strike

By Veronica Baruffati in Lima

A WAVE of strikes has hit Peru this week in preparation for tomorrow's 24-hour general strike called by the General Confederation of Peruvian Workers (CGTP), Peru's largest trade union.

Representatives of civil service, council workers, mining communities, farmers and market workers have all come out in support of the strike, the third President Alan Garcia's government has faced since coming to power in July 1985.

The CGTP announced the strike last month in protest at the government's harsh economic measures which have pulled Peru into the worst crisis in recent times.

CGTP leaders say the strike is "preventive" and will be followed by other longer strikes if their 15-point plan of economic, social and political demands is not followed.

The crisis in Peru is felt daily in the market place where frustrated shoppers simply cannot buy enough food to feed their families, and rice, oil and milk are often unavailable.

This discontent has also been felt by the Federation of Peruvian Market Workers (FTMP) who began a three-day strike yesterday to oppose the Government's unrealistic price increases, in some cases 1,000 per cent, which have led to a drop in sales of 60 per cent, and to demand a steady supply of foodstuffs to the markets.

Amid widespread criticism of the Government's agricultural policy, Mr Remigio Morales Bermudez, Peru's Agriculture Minister for almost three years, has resigned. The National Council of Agrarian Reconciliation (CNCA) has also resigned en masse. The CNCA, created only ten months ago as a reconciliatory organ between the state and agricultural producers, was presided over by Mr Morales Bermudez.

Mexico's rulers claim local election victory

By Richard Johns in Mexico City

THE ruling Institutional Revolutionary Party (PRI) of Mexico has duly won its expected sweeping victory in last week's municipal elections in the state of Vera Cruz which was the first political contest at the hustings since the controversial and disputed vote in the July presidential elections.

While the broad outcome was never in doubt in a state recognised as a stronghold of the PRI, the scale of the win, in what was a very tightly controlled political exercise, indicated that the regime has done nothing yet to implement promises of cleaner elections and more open democracy.

At the same time the broad left National Democratic Front coalitions emerged badly divided and as an implausible opposition – a fact which will add urgency to the efforts of Mr Cuauhtémoc Cárdenas its leader, to form a party.

While votes for 21 of the 203 municipalities were still subject to clarification, the state electoral commission said on Monday that the PRI had gained 174 town halls and the opposition only 8.

The latter has demanded annulment of the results declared for at least 13 districts alleging fraud.

The result is bound to raise doubts given the groundswell of opposition leading up to and following the general election from which Mr Carlos Salinas Gortari emerged as a hotly disputed president-elect and the PRI with only a slim majority in Congress despite its command of the electoral process.

The left-wing opposition was handicapped by the authorities' decision not to allow different parties to choose a common candidate and by internal divisions which were skilfully exploited by the PRI.

Of the eight town halls conceded one was secured by the right-wing National Action Party (PAN).

The Mexican Socialist Party (PMS) accounted for three of the left-wing successes, the Cardinista Front (PFCRN) two, while the Popular Socialist Party (PPS) and the Authentic Party of the Mexican Revolution (PARM) won one each.

Spain puts up $500m aid for Latin America

By Nancy Dunne in Washington

SPAIN yesterday signed a protocol of understanding which agreed to establish a $500m fund at the Inter-American Development Bank (IADB) and agreed to help mobilise another $500m to finance a broad range of development projects in Latin America.

As part of the "Quincentennial Fund," commemorating 500 years of historical ties between Spain and Latin America, Madrid agreed to set up a $150m Compensation Account which would extend loans on concessional terms by subsidising the interest rates.

The Spanish government has also agreed to promote the mobilisation of additional resources, amounting to some $500m, for projects financed by the fund. Sources for these funds would include development institutions, commercial banks and other financial and export financing institutions.

Guerrillas blow up Colombian oil pipeline

LEFT-WING guerrillas blew up a vital oil pipeline for the 50th time this year, causing a 2,000-barrel spill, Reuter reports from Bogota.

The national oil company Ecopetrol said pumping on the 220,000 barrels-a-day pipeline between the oilfield of Cravo Norte, near the border with Venezuela, and the Caribbean port of Covenas, should resume soon.

The pro-Cuban National Liberation Army (ELN) guerrilla group, which demands nationalisation of the oil industry, has claimed responsibility for the attacks.

The Colombian newspaper El Tiempo said in a survey last week that some 339,500 barrels of crude worth about $5m had been spilled as a consequence of the attacks by guerrilla forces.

Another $5m was spent on repairs and loss of export revenue reached $252m as 16.8 million barrels of oil failed to be exported.

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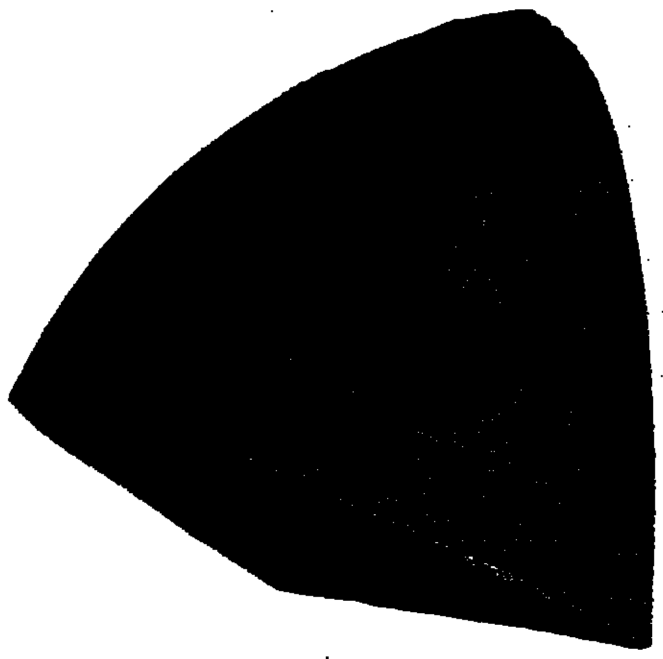

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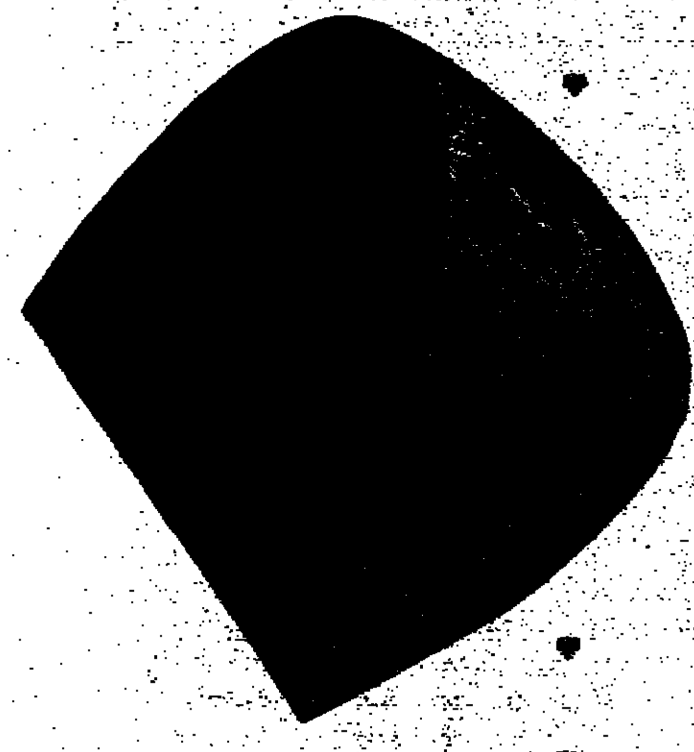

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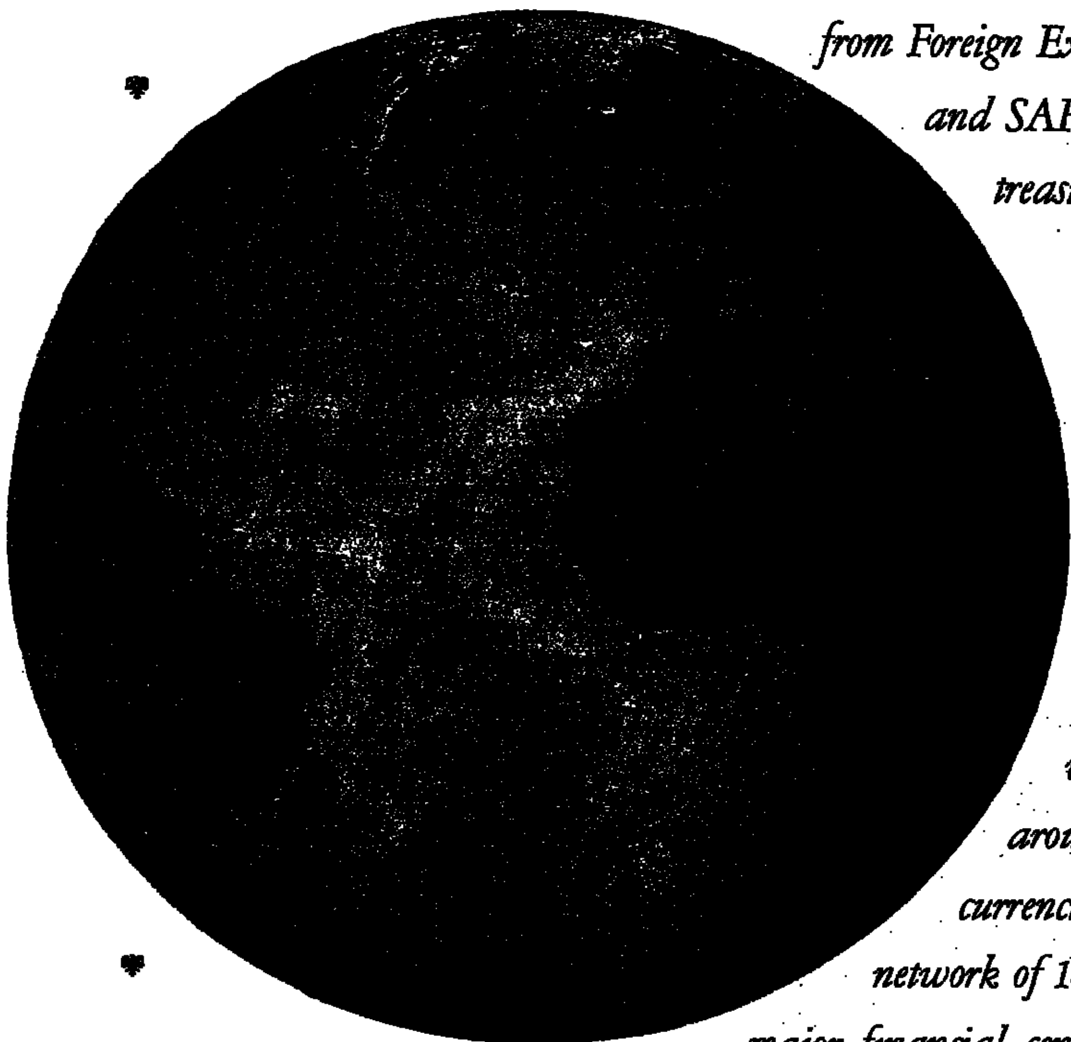

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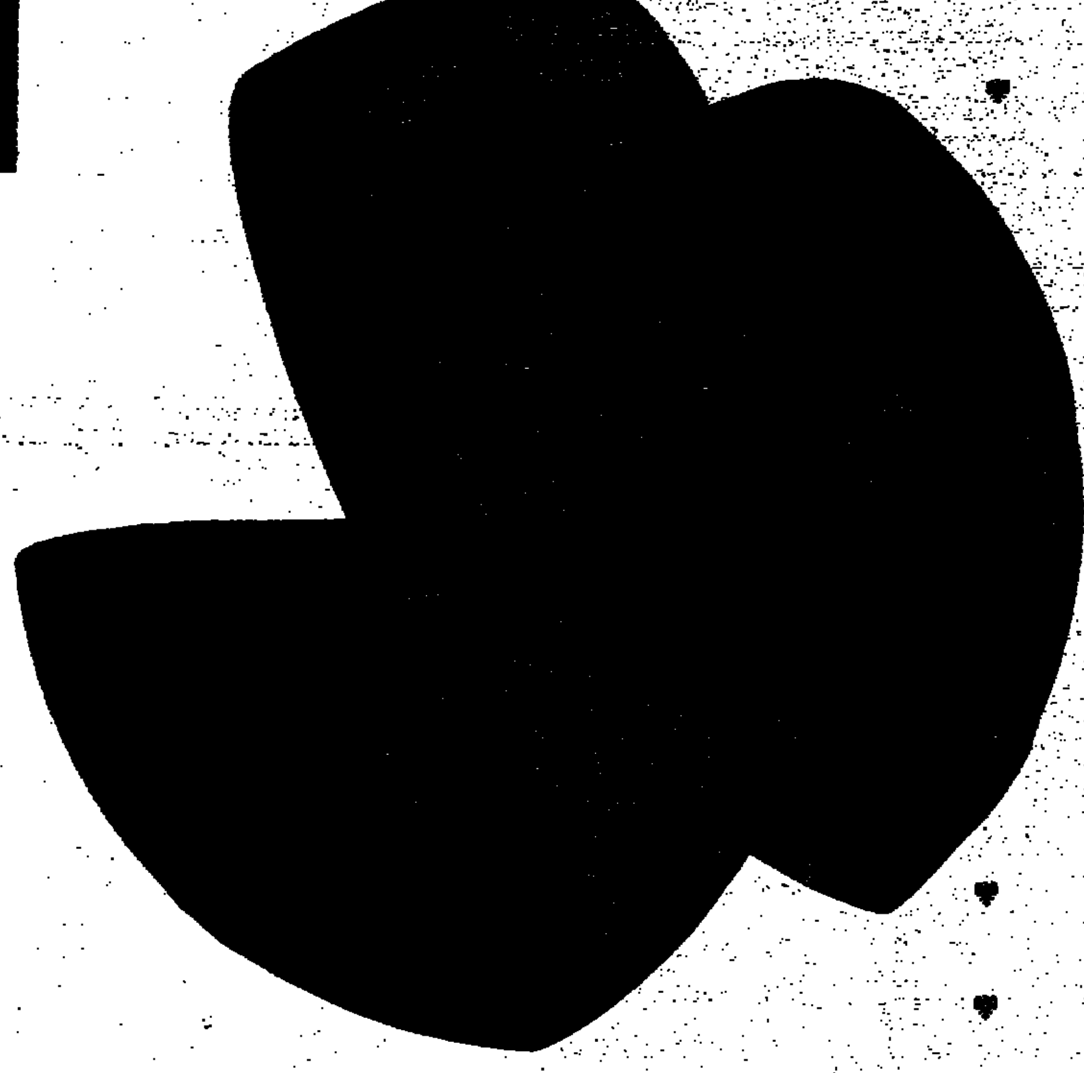

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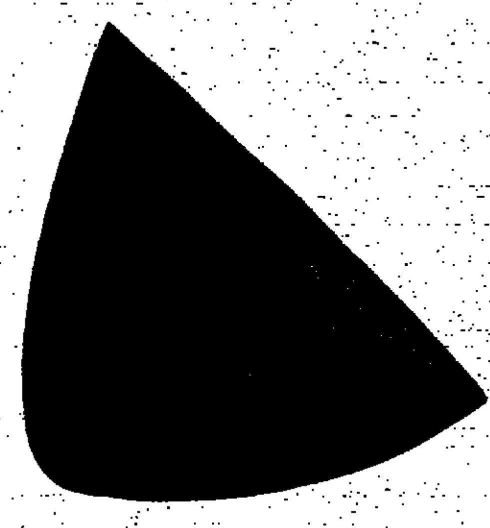

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* * * GLOBAL TREASURY SERVICES

BARCLAYS

THE CONSERVATIVE PARTY AT BRIGHTON

Minister signals transport reforms

By Peter Riddell, Political Editor

TOLL ROADS and privately run rail links may be introduced in Britain as part of a wide-ranging extension of private sector involvement in previously publicly owned transport operations.

Several new private sector transport initiatives were announced yesterday by Mr Paul Channon, the Transport Secretary, on the opening day of the Conservative Party Conference in Brighton. He and other ministerial speakers sought to show that the Government was carrying forward a programme of radical change well into the 1990s.

In the unexpected highlight of the low-key day, Mr Channon said he wanted to see private sector involvement in both rail links and in roads. He confirmed that he was examining the whole of British Rail's future to see whether privatisation was the way ahead.

"Although we cannot do it in this parliament, I have set work in hand to study the options because before we make any decision about whether to privatise, we need to be clear about how best to do it."

He was "determined to keep the Department of Transport in the forefront of the Conservative Party's drive to remove the dead hand of the state."

In detail, he announced that British Rail would shortly be issuing an invitation to private companies to build, or even own, the new high-speed rail link from the Channel Tunnel to London.

He said that the project could now come forward more rapidly than it might otherwise and there was even the chance of scope from private sector rail services to compete with British Rail, affecting commuter services in Kent.

Discussing the role of the private sector in roads, Mr Channon emphasised existing involvement, generally in association with commercial development. But he wanted to go further in creating a private as well as a public sector in roads.

He asked why politicians should be the only people to decide the kind of roads that were needed.

"I've already had talks with the construction industry and the banks and I shall soon be publishing my ideas of the opportunities and how to go about grasping them," he added.

Later he told reporters that he could not rule out tolls being charged which might well be inevitable as a way of paying for such projects, as has already occurred with road bridges and tunnels.

Mr Channon's announcement was last night welcomed by the Confederation of British Industry but was strongly attacked by the Royal Automobile Club for motorists.

His remarks reflect his desire to raise not only his department's political profile but his own. Fellow MPs argued that the adoption of a radical transport programme might attract the support of Mrs Margaret Thatcher, Prime Minister, and ensure his survival in a future reshuffle.

Otherwise, the common theme on the first day of the conference was that with the opposition parties in disarray only the Conservatives had the competence and capacity to govern. Mr Peter Brooke, the Conservative party chairman, claimed in his key note address that some two-thirds of the pledges in the June 1987 party manifesto had already been fulfilled in the first year of this parliament.

The same point was taken up by Mr Michael Heseltine, the former cabinet minister, at a fringe meeting. In a speech urging a closer public and private sector co-operation on the environment and in the cities, he said that the past few weeks had confirmed that the Conservatives "will be re-elected at the next general election. The ideas, the policies, the programmes that will take Britain to the next century will be ours."

Minister after minister yesterday sought to ridicule Labour after its conference last week, particularly over the criticisms of the party leadership by Mr Ron Todd of the transport workers. His name was mentioned at least 16 times by ministers, including 10 times by Mr Brooke alone. Indeed Mr Todd has now replaced Mr Arthur Scargill of the mineworkers in the Tories' lists of demons to frighten voters.

Behind the scenes talks continued yesterday between Mr John Major, the chief secretary to the Treasury and other ministers over next year's spending plans. The signs last night were that the excess bids were being whittled down but that there were some troublesome departments.

Party faithful brave a ring of steel to reach Grand island

By Charles Hodgson

SIR IAN McLeod, the Conservative conference chairman, ensured himself a personal exclusion zone from all those of superstitious disposition when he announced at the eve-of-conference press briefing that Brighton was "the safest place in England."

Sir Ian may well be right – the Brighton to which the Conservatives return for the first time since the IRA bombing four years ago certainly looks like the safest place in England. But, as Mr Roger Birch, the Sussex police chief masterminding the £1.4m security operation is fond of pointing out, there is no such thing as total security.

Barricaded behind that caveat, Mr Birch has set out to get as close to disproving the maxim as possible. About 1,500 police officers have been drafted onto the streets, backed by Special Branch and army bomb disposal teams.

Armed police keep binocular and video watch from rooftops. Cars are subjected to random checks. Overhead, a three-and-a-half-mile air exclusion zone has been declared, patrolled by a helicopter. Bobbing offshore, the minesweeper Nurton guards sea access, backed by units from the Special Boat Squadron.

At the centre of the operation, codenamed Radcot, lies the aptly-nicknamed "island site" comprising the renovated Grand Hotel, where Mrs Margaret Thatcher and her Cabinet are again staying, and the conference centre.

The island is ringed with steel crowd barriers and about 100 two-ton concrete blocks, designed to deter a Beirut-style car bomb attack.

Anyone seeking entry to the island must go through repeated visual, manual and electronic checks. Computer-coded photo passes are scrutinised by about six pairs of eyes before metal detectors and X-ray machines survey baggage.

Once through this, there is an embarrassingly thorough body search (gender-matched) followed by a check of palms and pockets with an explosives sniffer.

People foolish enough to leave the island, subjecting themselves to a repeat performance, are urged by police to remove their passes.

The security is being enforced in a firm but friendly manner. At access points to the conference centre, guards ask if you object to a close body search. When questioned about the reaction to anyone answering "Yes", one guard replied with a wry smile: "We take you into the little room and do it properly."

Ian Smith tugs at Tories' sentimental heartstrings

THERE CAN be few venues these days where Mr Ian Smith, the former Prime Minister of Rhodesia, can be assured of a rapturous reception just for turning up. There can be even fewer where one of the last standard-bearers of white minority rule in southern Africa can emerge as a comparative moderate when compared with his audience, Charles Hodgson writes.

One such venue was a fringe meeting yesterday at the Conservative party conference in Brighton organised by Freedom in Sport International, headed by Lord Chalfont, and the Tory backbench sports committee.

Mr Smith and his audience were officially there to press the case for a resumption of sporting links with South Africa, but the underlying message was set by Mr John Carlisle, one of the most vocal sympathisers with the Pretoria government in the House of Commons, who said the organisation contained many who were "unashamedly pro-South African" as well.

Many in the audience appeared to have turned up simply to pay homage to Mr Smith who, Mr Carlisle said, had been "sold down the river" by the British Government and who should by rights still be leading his country "under the old name of Rhodesia."

In a speech frequently interrupted by applause and cries of agreement, Mr Smith spelt out his belief that politicians were manipulating the world's sportsmen and women for their own malevolent ends.

He dismissed the Commonwealth nations' Gleneagles agreement barring sporting links with South Africa, as violating the human rights of sportsmen and urged them to challenge it in the courts.

Ian Smith yesterday: A meeting at the fringe

In a pastel painted ballroom where Paganini once played, Mr Smith tugged at the heart strings over the plight of Zola Budd, whose treatment had prompted from him a traditional Tory response – a letter to the newspapers – and resulted in his invitation to Brighton.

Arguing that those countries which condemned South Africa should face examination of their own human rights records, Mr Smith declared: "Racial discrimination is wrong. But it fades into insignificance alongside the violations of human rights all over the world."

In a league table of offenders, South Africa would figure only halfway up, he said. He called on the "silent majority" who, he believed, oppose the ban on sporting links with South Africa, to unite and counter the propoganda of the anti-apartheid movement.

There was no apartheid on the playing fields of South Africa, he said, thanks partly to those sportsmen who had defied their governments' edicts and visited the country.

Mr Smith then turned to his "deep concern" over the mounting campaign for sanctions against Pretoria.

He said he was appalled by the ignorance of the pro-sanctions lobby and described the potentially "devastating" impact on Zimbabwe and other front-line states, not to mention the 2m migrant workers and the poor in South Africa.

Broadening his attack, he likened the pro-sanctions lobby to starry-eyed do-gooders whose aid policies were responsible for a disaster of flood and famine in sub-Saharan Africa.

Mr Smith then returned to his text for the day, taken from the United Nations Charter: "Thou shalt not interfere in the internal affairs of another country" and accused the sanctions supporters of driving South Africa to the right.

EC 'turns corner' on reform of farm policy

By John Mason

THE EUROPEAN Community has turned the corner on reforming the Common Agricultural Policy (CAP) and reducing food mountains, Mr John MacGregor, the Agriculture Minister, said.

In a debate on agriculture, he said agreements reached at February's European summit on spending ceilings, budget discipline and stabilisers were now working.

The UK butter mountain was down 74 per cent over two years, cereal stocks down 66 per cent and the skimmed milk powder mountain had almost vanished.

"We are successfully tackling the problem. The situation has changed. The surpluses are being brought under control," he said. The cost of CAP to the UK taxpayer would be cut by about £1bn over the next four years, he said.

But Mr MacGregor said more work was needed to reduce subsidies, particularly on produce from Mediterranean countries. "The disciplines of the marketplace need to be brought into greater play," he said.

The Minister said Britain was preparing for the single market by working towards the elimination of import subsidies (monetary compensatory amounts) and devaluations of the green pound.

"Our farmers must not be put at a competitive disadvantage with those in other Community countries and in every single way possible I seek to achieve that aim."

Modest intervention by Bank holds sterling in check

By Ralph Atkins, Economics Staff

THE BANK of England intervened on foreign exchange markets yesterday to curb a rise in sterling as the Treasury sought to play down weekend comments on interest rates by Mr Nigel Lawson, the Chancellor of the Exchequer.

The Bank's activity succeeded in knocking the pound off the day's highs.

In busy London trading it was a cent higher against the dollar at one point, but ended just under half a cent up on the previous close. Against the D-Mark the pound ended a quarter of a pfennig higher at DM3.18.

Analysts described the intervention as modest. It appeared designed to smooth, rather than reverse, the pound's rise.

Sterling's rise was underpinned by remarks by Mr Lawson in a television interview on Sunday about the likely response to a run on sterling.

His comments encouraged speculation that the monetary authorities would act swiftly to check any signficant weakening in the pound and that the currency would continue to be supported by high interest rates.

The Treasury, which appeared uneasy with the market's response to Mr Lawson's interview, said his remarks were in line with previous comments.

Sterling has remained robust in spite of two months' figures showing record UK current account deficits.

Yesterday it also benefited from dollar weakness ahead of US trade figures released on Thursday.

In the UK equity market, the pound's strength encouraged some selling. The FT-SE 100 share index closed down 5.8 points at 1838.3.

In London, the pound ended at DM3.18 compared with DM3.1775 at the previous close and at \$1.7170 against \$1.7125. The Bank of England's sterling trade weighted index was 0.1 higher at 76.4.

UK NEWS

Buyouts hit record high in 1987

By Joel Kibazo

MANAGEMENT buyouts in the UK reached records in terms of both value and numbers in 1987 despite the October stock market crash, said a report published yesterday.

The report, published by the Centre for Management Buy-Out Research at Nottingham University, shows there were 325 management buyouts in 1987, 17 more than in 1986. The value of these transactions was £3,188m, compared with £1,197m, the previous year.

Dr Mike Wright, co-author of the report said: "The October crash clearly dented confidence. However, the fall in stock market prices brought to prospective buyout teams the benefit of no longer being outbid by the market, and this has resulted in a noticeable strengthening of activity."

The report shows that despite a fall in the number of buyouts in the first half of 1988 – 150 deals completed against 160 in the same period last year – the value of the deals concluded so far this year is 80 per cent higher than in the first six months of 1987. The writers expect the final figure for 1988 to exceed the £3.2bn mark achieved in 1987.

The report says in 1987 and 1988, larger buyouts have come to dominate the market. Eighty per cent of the value of buyouts in 1987 carried a price tag of £25m or more. This is double the percentage recorded the previous year.

The larger buyouts were likely to be from foreign parent companies, companies going private, and from the government – 11 per cent of buyouts in 1987 were from state enterprises. It has also become more common for vendors of larger buyouts to retain equity stakes.

The average size of buyouts has also increased. In the first half of this year, the figure stood at £12.2m, exceeding the £10m figure for the first time.

The report cites increasing evidence of buyouts of companies traded on the stock market such as those of the Dwek Group, which is now completed, and the Virgin group buyout which is underway.

In contrast, 34 management buyouts were floated in 1987. Although this was down on the 1986 figure, there was a recovery in the first half of this year, when the number of buyouts being floated reached 24, two more than in the corresponding period of 1987.

The report also says management buy-ins are on the increase. A total of 45 buy-ins have been completed so far this year.

The report notes the increasing interest in UK buyouts by British banks and US entrants to the market, which has resulted in a higher level of funds being made available and growing interest in more highly-leveraged transactions.

UK Management Buy-Outs 1988. Centre for Management Buy-out Research. Spicer & Oppenheim, Friery Court, 65 Crutched Friars, London EC3N 2NP. £50.

Politicians invited to review of Anglo-Irish Agreement

By Our Belfast Correspondent

MR TOM KING, Northern Ireland Secretary, yesterday formally invited Ulster politicians to participate in next month's review of the Anglo-Irish Agreement.

Mr King said he hoped that those who in the past had complained about lack of consultation would play an active role in the review process.

Mr King added: "I would be very concerned if there was any such lack of consultation at this review time."

The review will cover the mechanics of the agreement – which gives Dublin a say in the affairs of the North – and assess the workings of the Belfast Secretariat which provides an administrative service for the inter-governmental Conference.

The British and Irish Governments are committed to participating in the review and Mr King said that he would examine the views of all interested groups and individuals.

Unionists have consistently demanded the suspension of the agreement and the secretariat before getting involved in talks on political progress.

The Rev Martin Smyth, South Belfast Ulster Unionist MP, said Mr King's invitation would have to be carefully studied although he said he had some initial misgivings.

Mr Smyth said it appeared that Mr King was narrowing down the terms of the review and appeared to rule out the total replacement of the agreement.

He said that in the past Unionists had put forward their views but there was little evidence of the Government taking heed of them.

Firm water regulation pledged

By John Hunt, Environment Correspondent

THE WATER industry will be firmly regulated once it is privatised, Mr Michael Howard, Minister of State for the Environment, promised yesterday.

Speaking at the opening of the National Water Conference in London, he said: "We must be clear that replacing state control by private ownership does not mean abandoning regulation."

It was vital to the national interest that the 10 water authorities should be subject to proper regulation of service levels and pricing when they were sold next year.

Mr Gordon Jones, chairman of the Water Authorities Association, said that concern over water charges must be balanced by the need for the industry to make a fair return on assets in order to attract shareholders.

"I well understand the fears that many people have about abuse of a monopoly situation by a private company," he said. "I equally understand the Government's determination to ensure that this does not take place."

Sufficient regard had to be given, however, to the environment and the long-term interests of prospective investors.

Travel agents urged to boycott P&O

By Jimmy Burns

THE TRADES Union Congress, the union federation, is urging Britain's 7,500 travel agents and tour operators to support the National Union of Seamen's dispute with P&O European Ferries by boycotting all bookings with the company.

In a letter published today, Mr Norman Willis, TUC general secretary, emphasises the importance of maintaining safety standards on the busy cross-channel routes and challenges P&O's insistence that its ships are safe.

Mr Willis states: "P&O insists that its Dover ships are safe. The NUS thinks otherwise ... I ask you to consider the kind of working conditions which P&O is imposing and decide for yourself whether they are reasonable and generate confidence."

TUC officials claimed there were "technical difficulties" in drawing up a list of all the travel agents and tour operators which delayed the move, which the NUS called for several weeks ago during the summer holidays.

Interim figures released by P&O last month showed that the six-month seamen's strike which began in February this year over cross-Channel ferry manning arrangements, cost the company £25m.

UK NEWS

Ombudsman may decide Clowes compensation

By Peter Riddell, Political Editor

THE OMBUDSMAN is likely to be called in to decide whether compensation should be paid to investors who have lost money as a result of the collapse of the Barlow Clowes investment group.

Sir Anthony Barrowclough, formally known as the Parliamentary Commissioner for Administration, has the responsibility for investigating cases of maladministration in central government and of recommending whether, and how much, recompense should be paid if mistakes are found. His inquiries are triggered by complaints from MPs which are likely in the Barlow Clowes case.

There is a precedent for the Ombudsman to investigate the Barlow Clowes affair in a report published in July 1986. This led to compensation being paid to an investor after an inquiry into the handling by the Department of Trade and Industry of the licensing of a deposit taker.

The involvement of the Ombudsman is now increasingly likely because the investigation by Sir Godfray Le Quesne into the Government's handling of the collapse of Barlow Clowes will cover only the facts and will not make any recommendations.

Lord Young, the Trade and Industry Secretary, confirmed yesterday that Sir Godfray's report would be published on Thursday October 20, the day after the House of Commons returns from its summer recess.

He was speaking to reporters after the Trade and Industry debate at the Conservative Party Conference in Brighton when the subject was not raised despite intensive lobbying of those attending by the Barlow Clowes Investors Group. Its leaflet argued that nine years of Conservative achievement were at stake and that Sir Godfray's report was largely irrelevant to the real questions behind the collapse.

Speaking yesterday Lord Young said that Sir Godfray's report would be one of the most open and frank ever conducted into the affairs of government.

There has been no decision yet on whether to offer compensation either to investors in the UK fund or in the Gibraltar-based fund. Ministers say that no proposals have been put up.

Consequently, the involvement of the Ombudsman would represent a convenient method of deciding whether compensation should be offered without establishing any general precedents or legal liability of the Government.

The Treasury is believed to be reluctant to agree to compensation because of the possible precedent, although Mrs Margaret Thatcher, the Prime Minister, is said to be more sympathetic to the plight of the investors and determined to establish what happened.

The expectation is that Sir Godfray's report will not identify any individual civil servants for blame but will spotlight mistakes made at various stages in the history of Barlow Clowes.

Sir Godfray's report was received by Lord Young a month ago. On its publication he is likely to make a full statement in the House of Lords, with a parallel one in the Commons.

Hyundai challenges Ford and GM

By John Griffiths

THE FIRST executive car to be produced by Hyundai of South Korea will make its world debut at next week's UK motor show in Birmingham.

The car, called the Sonata, is seen by Hyundai and its separately-owned UK importer, International Motors, as a rival to vehicles such as Ford's Granada and Vauxhall's Carlton, but several thousand pounds cheaper.

Prices have yet to be decided, but an International Motors spokesman said last night that it was hoped to offer several versions at below £10,000. The cheapest Granada costs £12,000.

The cars have fuel-injected engines of 1.8, 2 and 2.4 litres, with electric windows and mirrors as standard.

Hyundai Cars Distributors (UK), the International Motors subsidiary which distributes Hyundais in the UK, is to test public reaction to the cars at the show before making final choices about specifications or predicting sales volumes.

"At the moment it looks like anything between 500 and 2,000", said the spokesman.

Relatives of rail fire victims may prosecute privately

By Kevin Brown, Transport Correspondent

A LONDON inquest jury yesterday returned verdicts of accidental death on all 31 victims of the King's Cross Underground station fire in November last year.

The verdicts brought protests from relatives of the dead, one of whom said the inquest had been "a total farce." A private prosecution may now be considered against London Regional Transport, which operates the Underground.

The jury had been directed by Dr Douglas Chambers, the St Pancras Coroner, that verdicts of unlawful killing should be avoided.

The coroner's ruling followed a submission by Mr Matthew Scott, counsel for the bereaved, that there was "partial and incomplete evidence" of gross negligence.

Mr Scott said: "If members of the jury believe there is a suspicion of gross negligence by one or more people, it should be open to the jury to return a verdict of unlawful killing.

"If they are satisfied that they haven't heard enough evidence to return a verdict of unlawful killing, it should be open to them to record an open verdict."

However, Dr Chambers directed the jury that there was "no place for a verdict of unlawful killing – it is not that sort of court."

He said an open verdict should be avoided if possible, but a verdict of accidental death could be returned "with no hesitation whatsoever."

Dr Chambers said he was "fortified in this by the decision of the Crown Prosecution Service, who are well aware of the facts in relation to these deaths."

Mr Ian Walker, the solicitor acting for the bereaved, said the relatives were "very much less than happy." Some were considering whether to bring a private prosecution against LRT.

"They came here to find out what happened to their loved ones and they find that many questions remain to be answered. They came here to find out the facts and that is not what has happened," he said.

Mrs Mary Groombridge, whose widowed mother died in the blaze, said: "I am very, very angry, as we all are. We came here expecting to find out what happened to our relatives and they seem to have been a side issue."

Mrs Groombridge said the inquest had been "a total farce. We came here expecting one thing and it has been something totally different."

Miss Sophie Tarassenko, whose rock-musician brother Ivan died in the blaze, said: "I was pretty angry before, but I am feeling very, very angry now. This is a complete travesty of the truth.

"We came here to find out how our relatives died and what happened to them and they were only ever really mentioned as a broad list.

"The rest of the time was spent patting people on the back and saying what a good job they did. London Regional Transport has been let off very lightly indeed.

"They are quite well aware that we can't really afford a private prosecution but we are going to look into every possible means of seeing that the truth does come out and that there is justice."

Top car audio group plans new plant following Peugeot deal

By Kevin Done, Motor Industry Correspondent

CLARION of Japan, world's largest volume manufacturer of car audio equipment, plans to build a plant in Swindon – the seventh components group to set up a new UK factory to cater for a rise in production at Peugeot Talbot, UK subsidiary of Peugeot of France.

More than 1,500 new jobs have been created in the UK automotive components industry due to the doubling of car production at the Peugeot Talbot assembly plant at Ryton, in the Midlands, earlier this year.

Mr Tadashi Kitajima, managing director of Clarion Shoji (UK), a wholly-owned Clarion subsidiary, said that the company decided to set up the plant after winning a supply contract with Peugeot and because of pressure from British vehicle assemblers for local UK content.

Clarion, which produces around 6m car audio sets a year giving it a share of more than 20 per cent of the world market, said it would open its UK assembly operation next year.

Mr Kitajima said the company would at first assemble around 120,000 units a year in the UK, with pilot production beginning in March.

The company would invest around £1m in the plant, employ about 50 people and reach a local content level of 45 per cent after two or three years.

Clarion will replace Philips, the Dutch electronics group, which supplies Peugeot Talbot from a plant in Singapore.

Clarion, which has an annual turnover of some £500m, has expanded quickly outside Japan in the last 10 years and has established plants in Malaysia, the US, Mexico, and France.

Much of European car audio manufacturing has been moved to the Far East in recent years, and Clarion claimed yesterday it would be the only UK-based car audio manufacturer.

Mr Geoffrey Whalen, chief executive of Peugeot Talbot, said the UK was increasingly regarded as a favourable manufacturing location.

Peugeot introduced a second shift in April to raise output to 2,200 cars a week from the previous single shift level of 1,100 a week.

Mr Whalen said that 3,000 jobs had been created at supplier companies during the last two years, of which 1,500 had come in the last five months due to the move to double shift production.

The six other companies which have set up plants are: Plastic Omnium of France with a plant in Telford, Shropshire; Valeo of France with two plants at Redditch, Staffordshire; Autoliv of Sweden in Feltham, Essex; British Vita in Manchester; Harrison & Jones in Liverpool; and Cablauto of France in Worksop, Nottinghamshire.

N Sea oil platform approved

By Maurice Samuelson

BP PETROLEUM Development yesterday became the first oil company to win approval for a new manned oil and gas platform in the North Sea since the Piper Alpha disaster in July which claimed 167 lives.

The platform is the centrepiece of a £1.16bn project to develop the Miller Field in the Central North Sea. It includes the cost of a pipeline for delivering gas which will be burned in Peterhead power station, on the east coast of Scotland.

The platform, to be erected on a 17,000-tonne steel jacket in 100 metres of water, will be manned by a crew of 200.

To minimise risks of fire and explosions, the accommodation module and control room will be situated as far as possible from the hazardous areas of the drilling and wellhead modules, and isolated by fire-walls from the process modules.

Some 3,700 jobs will be created at the peak of the onshore stage of the project. About 1,200 personnel will be required during the offshore installation and hook-up phase.

Oil production is expected to start around the end of 1991 and gas production will be sold to the North of Scotland Hydro-Electric Board

The introduction of gas at the oil-fired Peterhead station marks a significant change in UK energy policy

● Police yesterday began searching for bodies on the first accommodation module of the Piper Alpha platform which was raised to the surface of the North Sea early in the morning.

The main accommodation module, thought to contain several corpses, is not expected to be raised until later this week.

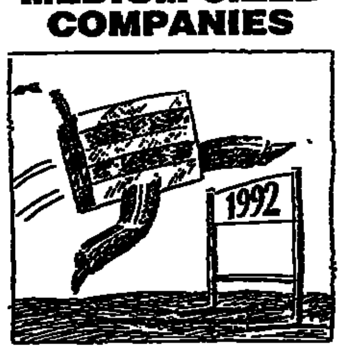
MANAGEMENT

Distribution

A 'Mickey Mouse' affair becomes serious business

In his series on companies in the north-east of England, Christopher Lorenz explains how Derwent Valley Foods discovered the intricacies of Continental retail patterns

MEDIUM-SIZED COMPANIES



The European challenge

Keith Gill is disarmingly frank. "This very focused and disciplined company has mucked about with exports," he says. "We're only now in the process of formulating a genuine export strategy for the first time."

As commercial director of Derwent Valley Foods, a buoyant young 200-person company which has become one of the most high-profile enterprises in North-East England, Gill's is quite an admission. Ever since he and three colleagues founded Derwent Valley six years ago in the devastated former steel town of Consett, County Durham, the stellar-like penetration of the top of the UK savoury snacks market by its *Phileas Fogg* brand has brought it prizes and publicity galore, and created a widespread impression that it is an ultra-professional operation which can do no wrong.

Derwent Valley's growth rate has certainly been dramatic. Five years after the start-up, sales topped £9.5m in 1987 and should hit £14m this year; pre-tax profit last year was not far short of £750,000.

Yet the company's export record is decidedly unimpressive. Just £320,000 of its sales went abroad in 1987, spread thinly between no less than 14 countries. This is not because Gill and his three co-founders tried to avoid exporting until they had achieved critical mass at home; Derwent Valley has been exporting almost since birth, like Berghaus, the up-market Newcastle clothing company featured in the first of this series last Wednesday.

But until this year, when its founder-directors started to delegate day-to-day management in order to concentrate on the company's broader development, their approach to exports had been casual. "We fell into export – we didn't really know what we were doing," says Roger McKechnie, the chairman and managing director. This laid-back attitude contributed to the company's ill luck with two distributors in succession in the prime West German market, and similar difficulties in the United States.

It has also not helped Derwent Valley master the cross-border differences in distribution and retail structures which hamper any food company which tries to "go European". These have been far more troublesome than the obvious barrier of national variations in taste and in consumer "snacking" habits, which in certain countries limits the potential market for Derwent Valley's range of tortilla chips, punjab puri and other crunchy savouries. Traditional snacks for the French and West Germans, for instance, have been slices of cold meat, cheese and cakes, although demand for Anglo-Saxon-type crisps and so forth is growing fast.

Now, with the help of a consultant, the team is in the final stages of developing a European export plan which will focus on three or four countries, and which is intended to boost exports to the continent to at least £1m a year by 1991. This will form part of a broader overseas push, which also involves the establishment of a joint venture in the US.

The readiness of Gill and McKechnie to talk about their continental European problems when these are not yet solved reflects the openness with which they and their colleagues have operated since the start-up of Derwent Valley in 1982. McKechnie is a regular speaker on public platforms around the North-East, including at the Newcastle launch of the Thatcher government's 1992 "single market" campaign in May, and a fortnight ago at the first "enterprise forum" held in the region for local entrepreneurs by 3i, the large UK venture capital organisation which is his company's only outside shareholder.

The event which originally launched Derwent Valley into exporting was the same one which attracted the eager attention of Sainsbury, Safeway and Britain's other leading food chains: the International Food and Drink Exhibition in London in early 1983. But from that moment the two sides of the business took very different directions. With the founders devoting almost all their efforts to serving the company's highly demanding retail customers in its home market, exporting quickly became what Gill calls "a Mickey Mouse affair".

The principle behind Derwent Valley's early appointments of the foreign distributors who approached it was simple: avoid the traditional breed of large operators for whom the Phileas Fogg brand "would be number 2,000 in a 4,000-item catalogue," as Gill puts it. Instead, go for "amateurs" who would give the brand far more care and attention. As he says, "the trouble was, we didn't realise that their exposure to the local distribution system was as limited as it was."

Now, the team is in the final stages of developing a European export plan

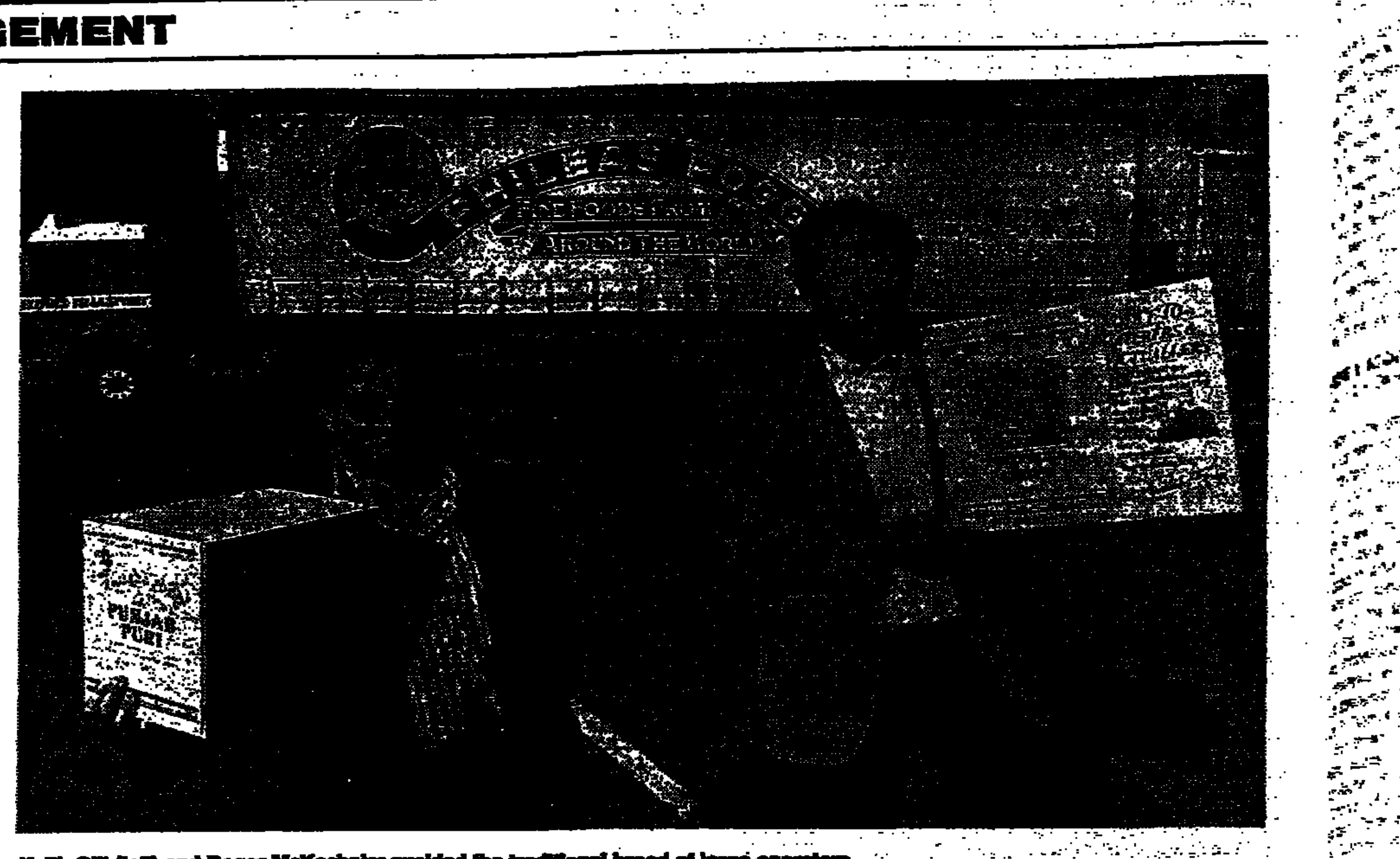
The only appointment made on the continent at this very early stage (another was in the US) was in West Germany, where an enthusiastic distributor took on the brand. "He didn't have much experience on the food side," claims Gill, "and we didn't realise at the time that the German grocery distribution network is extraordinarily complex."

For a supplier used to the British market, this is an understatement. The overall concentration of retail power is somewhat similar, with the top four German food retailers representing 40 per cent of total grocery buying power; in the UK grocery market, the top five retailers have almost half the market. But whereas there is one buying point per major retailer in Britain, Germany's top four together have four dozen. This is partly because of regionalisation, but also because purchase decisions are also sometimes shared between two departments in the same organisation. Along with this goes much less centralised warehousing than in the UK. Thanks to the committee-like working of independent German cooperatives, "getting to the specialist trade is even more difficult," says Gill.

During 1984, with few sales made, Gill flew to Germany and severed the relationship - a difficult process because the distributor had been granted exclusivity, and Derwent Valley was worried about the legal implications; it had no choice but to pay compensation. Similar problems in the US "took a lot of management time to sort out," says Gill.

By late 1984 the company had realised it needed to commit more resources to exports. It then had a second go under the guidance of a freelance export manager with considerable experience in gourmet foods. He has since built up representation in 14 countries, having prompted the company to focus on particular types of retail outlet and to go, after all, through traditional importer-distributors.

In spite of Derwent Valley's chequered exporting record, Gill claims it has never lost money on foreign sales. "In general, there's been very little overhead, and with retail prices higher on the continent than in the UK, we've been profitable in each country."



Keith Gill (left) and Roger McKechnie: avoided the traditional breed of large operators

From 1985 the company concentrated within Germany on department store delicatessens and specialist stores, leaving the main supermarket chains aside. There was some improvement in sales, but Gill says that, in the hands of a large distributor, Phileas Fogg proceeded to suffer "precisely the lack of attention we had originally feared." Earlier this year - belatedly, because of its preoccupation with the UK market - the team changed distributor again, with encouraging results.

A sure sign of the new partner's interest is that it has encouraged Derwent Valley to create special German packaging; up to now, as in other foreign-language export markets, local-language ingredients labels were stuck over a blank patch on the back of English packets. In order to get better in-store displays, the new distributor has also prompted the company to develop several packaging formats which differ from its standard single-pack, including selection boxes.

In spite of these changes, Gill is emphatic that sales in Germany and elsewhere have not been held back by the Phileas Fogg packaging, with its quirkily old-fashioned English stories on the back featuring a Jules Verne character of whom many continentals have never heard. From the start "retailers everywhere have bought on the promise of the packaging," he says. Portion size was also no problem, since the basic Phileas Fogg pack of 100 grams is in line with continental practice, though back in 1982 it was four times the standard UK weight. Nor has the brand's ultra-premium positioning as an adult cocktail snack been a barrier, he says – rather the reverse. So far, there has been no need to modify flavours to national tastes, but in any case that would not be costly.

From the start, 'retailers everywhere have bought on the promise of the packaging'

Apart from Germany, Derwent Valley's other main non-UK markets in Europe at present are Eire, France and Switzerland. In the obviously prime market of France, the trade is more fragmented than in Britain, but not as badly as in Germany thanks to the presence of hypermarkets. Derwent Valley has so far penetrated only the variety stores and mini-supermarkets, in the hands of a longer-standing distributor who acts as a "shelf jobber", directly holding space within stores for the range of products he carries. "The product is selling reasonably well," says Gill.

Pressed about the next stage of the plans for France, and the other continental markets, Gill says "we can now concentrate on deciding this sort of thing." A few months ago a holding company structure was established above Derwent Valley Foods and two small UK acquisitions made earlier this year, so that the four directors could move away from day-to-day running of the original company. Together with Ray McGhee, the sales & marketing director, Gill says he will now focus very much on developing both the continental and American markets. With the help of a consultant found through the government's "enterprise" scheme, the outline European marketing plan should be decided by the end of November.

One possible step in some countries will be to take the conventional route of appointing a local national as a full-time "Mr Phileas Fogg", initially as a negotiator with the large retailers and later as managing director of a full local subsidiary.

But in other countries, probably Belgium and the Netherlands, the company now thinks it may well decide to use its UK sales force to get at the major supermarkets. And for a third group of markets it is considering joint ventures with established manufacturers of allied products (either local or British). Gill recognises the risk of losing control of one's product in any such venture, but says "the upside outweighs it - you can plug into a distribution network that exists, the take-off is faster and you save overhead."

"There is not one solution for the whole of Europe," Gill concludes. "At the end of the day we'll have a whole mix - a cocktail - depending on the characteristics of each market."

The first article in the series appeared on October 5. The next will appear on October 19.

TECHNOLOGY

A package that delivers factory know-how

Some companies are turning to expert computer systems to help run their plant. Clive Cookson reports

Thirty five large manufacturers have clubbed together to commercialise an expert computer system for managing all sorts of processes within factories.

By continuously analysing information from sensors in the plant and its equipment, the system makes instant managerial decisions, which may be passed on to human operators in the form of reasoned advice or used to control the equipment automatically.

Known as Cogsys, the system is intended for use both in process industries such as chemical, food and pharmaceutical manufacturing and in batch production and assembly. "In fact Cogsys can be used wherever continuous real-time (instantaneous) reasoning is involved," says Ray Shaw, the project co-ordinator.

Potential applications include: monitoring plants to detect faults before they do any damage; handling alarm and emergency procedures; co-ordinating complex production equipment to extend the scope of automation; and detecting fast-moving financial trends.

The system will be able to analyse several thousand external variables at the same time. Depending on circumstances, Cogsys can either give advice and warnings to human operators via computer terminals or take direct action (for example, shutting down the plant in an emergency).

Cogsys stems from work started in 1984 as part of the £350m Alvey programme of collaborative research into advanced information technology. Initially 25 companies joined forces to develop an expert system for production plants. A prototype was successfully installed at ICI's Wilton detergent factory on Teesside, where it provided guidance on quality.

When UK Government funding ended last year, many of the companies wanted to continue the project as a commercial venture. They set up a second club and contracted the main software development work to SD-Scicon. The membership now includes 31 UK-based companies (including many of the country's largest manufacturers), two from Sweden and one each from France and The Netherlands. Indeed Cogsys is probably the leading example of collaborative exploitation of Alvey research.

The members have so far contributed £13,000 each to the development of Cogsys. In return they will receive rights to sell Cogsys under licence, free copies of Cogsys software, income from sales and a pro-rata share in the club's assets.

Cogsys members have also decided to seek venture capital funding, a novel initiative according to Shaw, since no one else has tried to interest venture capitalists in an industrial club rather than a company. The proposal is that non-industrial investors should receive additional income from sales of Cogsys instead of free copies of the software and rights to the technology.

The first version (running on DEC MicroVAX hardware) is scheduled for release early in 1989. It will be installed on two test sites:

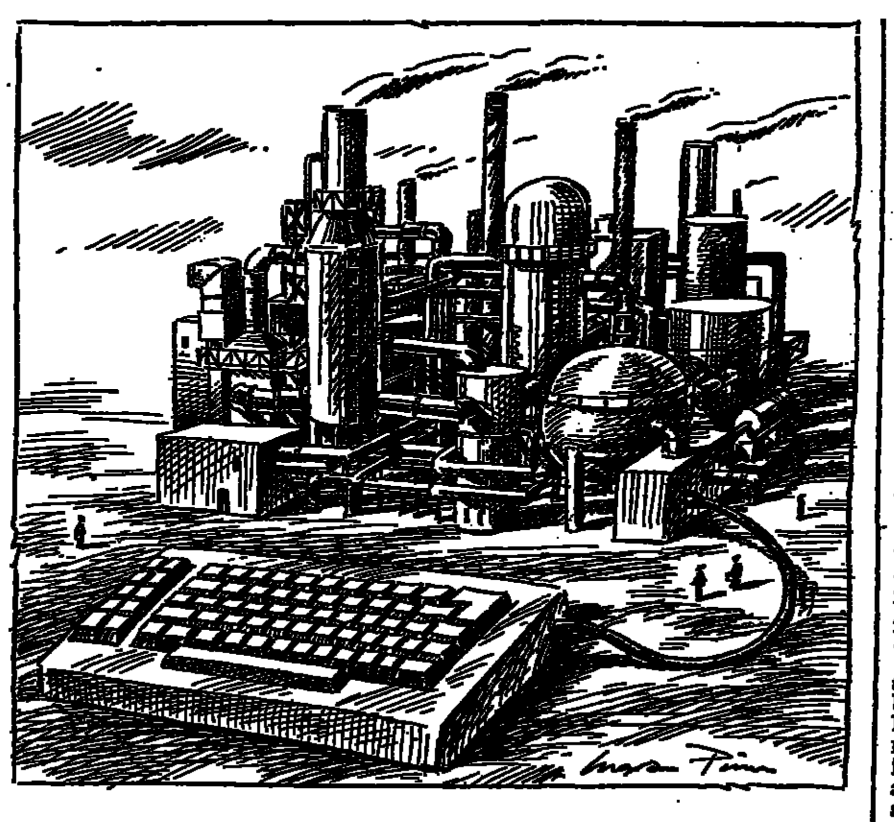
● British Gas will use Cogsys at its pilot plant for producing gas from coal in Solihull, West Midlands, to handle alarms and advise the operators how to run the process as efficiently as possible. One purpose of the test will be to replace the highly skilled engineers who now run the plant with less experienced staff guided by Cogsys.

● Metal Box will use it at a factory making plastic bottles in Wantage, Oxfordshire, to control a complex extrusion system producing bottles of optimum shape and weight. It will also handle emergencies.

The system can either give advice or take direct action

In each installation Cogsys starts off with hundreds or even thousands of rules describing the behaviour of the plant, based on the experience of the human operators. It can adapt those rules as the computer builds up its knowledge of the plant. For example it may recognise a pattern in the way that particular faults occur, which had not been evident to the operators.

In addition to Cogsys, several other computer systems have been developed to capture and improve upon the knowledge of the human experts who normally make sure that factories are running safely and efficiently.



The only industrial expert system already marketed on a significant scale world-wide is G2, developed in the US by Gensym Corporation of Cambridge, Massachusetts.

Since G2 was released at the beginning of 1988, about 50 copies have been sold, mainly in North America. It is being used most extensively for process monitoring and control in the US chemical industry. For example, a typical plant might have a variety of sensors which measure the composition of chemicals passing through and detect any potentially dangerous changes in temperature and pressure.

Users include Exxon, Du Pont, Monsanto, Shell, 3M and Kodak. Last month Sira of Chislehurst, Kent, agreed to introduce G2 into the UK.

Gensym developed G2 with help from its own "user group of about six key industrial companies in the US," according to Chris Taunton, manager of Sira's industrial systems division.

Engineers without any specialised skills in expert systems can create complex knowledge bases quickly and easily, using a structured language which Gensym has kept as close to natural English as possible. G2 also has a simulation facility; this allows the user to build dynamic models to test knowledge before the system goes on line.

PA Computers and Telecommunications in the UK has designed an expert system called Escort specifically for large process plants. It can handle data from 7,000 process measurement points.

The first commercial Escort system is being installed at a BP plant in Grangemouth, Scotland, manufacturing butadiene (an industrial chemical used to make polymers). "This is Europe's largest real-time expert system," says Roy Sargeant, Escort's business development manager.

All knowledge used by Escort is entered through engineer's terminals in conventional process engineering language. Again, no special expert systems skills are needed. The plant operators communicate with Escort via special touch-sensitive colour video display units.

Linkman is a simpler expert system, developed by Sira in collaboration with Blue Circle, the largest UK cement manufacturer. About 12 have been sold world-wide, mainly to cement companies. Linkman can control some industrial processes but cannot provide such a wide range of advice, diagnosis and alarm management as G2 or Cogsys.

Muse, developed by Cambridge Consultants in the UK in collaboration with the Royal Aircraft Establishment, Farnborough, is a tool for building real-time expert systems. Twelve have been sold.

"Real-time expert systems are still only a small market with a small set of products, but the potential market for industrial systems is vast," says Chris Taunton of Sira. Roy Sargeant of PA expects that there will be a world-wide market for about 200 large process plant systems such as Escort.

Some of Cogsys's competitors predict that it will fall in the marketplace because the club structure causes a loss of commercial sharpness.

But Shaw says that the club has given Cogsys two great advantages over the other systems. "It has a more highly focused, user driven specification;" and it was designed with a more open architecture, which allows it to work easily with any other computers in the factory.

Businessman's guide to the implications of 1992

Paul Abrahams reports on an expanded information service

A much improved computerised information service will be launched next week to provide businessmen with details of what the single European market of 1992 will mean.

The scheme, called Spearhead, is provided by Profile Information, the electronic data service, with the help of the UK Department of Trade and Industry (DTI).

Spearhead was originally launched in the spring, but has now been substantially expanded to include the latest information about moves towards an integrated European market.

The database supplies simple summaries of all the measures being considered in Brussels. Details are provided of documents being discussed and legislation being proposed, as well as the full text of the 100 measures already adopted.

Names and telephone numbers of civil servants at the UK Department of Trade and Industry (DTI), who are dealing with particular issues, are also supplied.

New services provided by the relaunched database include information about EC initiatives not connected with the single market, such as new rules on environmental issues and consumer protection.

Mike Gardner, deputy managing director of Profile Information, part of Financial Times Business Information, says that the database has a wide range of applications.

"We have had one client in the drinks industry who discovered a large number of problems through Spearhead which were being created by European standardisation," he says. "He found that he not only had to list contents and additives on the outside of the bottle, with special syntax and vocabulary in letters of a particular size, but he also needed to use a special type of glue to keep the label on."

Julie Scott, library information officer at the London offices of Arthur Young, the management consultants, says that the revamped system is easy to use. She admits, however, that in the previous version there were difficulties in tracking down indexed subjects. She says that many had been filed in jargon-ridden "Eurobabble" and had proved almost impossible to find.

Profile is now supplying a glossary to make it easier to access entries for particular industries.

"Spearhead provides a useful tool for seeing what is happening in Brussels," says Ray Walsh, director of Electronic Publishing Services, the London-based information marketing consultants.

"It means that businesses can get an indication of where the legislation is going and anticipate it, rather than waiting until it is passed, when it might be too late to react," he says.

Access to the database is available in both the US and on the Continent through other electronic databases and gateways, such as Celex and Telecom Gold.

Agreement reached on how to allocate space for communications satellites

By Paul Godden

AN INTERNATIONAL meeting of government representatives, in Geneva, has ensured that all countries will have access to slots in space for communications satellites. The more developed countries, however, will still have the flexibility to launch satellites on a "first come, first served" basis.

The decision was taken at the end of the five-week World Administrative Radio Conference (WARC), held under the auspices of the International Telecommunications Union (ITU).

The conference's main aim was to come up with a plan for the fair allocation of space for geostationary satellites. These orbit the earth at a speed which keeps pace with its natural rotation and so appear stationary from the ground.

Richard Butler, ITU secretary general, said that the conference's most significant achievement was to break new ground with the allocation procedure.

As well as sorting out the geographical plan for the launching of the satellites, the WARC has also instigated the idea of multilateral planning meetings, which could be called when administrations need quick, ad hoc decisions on satellite placements. Sources close to the ITU say that this was very much a US-driven measure.

The planning meetings would include organisations like Intelsat, the largest communications satellite operator, which is funded by telecommunications companies from several countries.

The conference decided not to reserve the 18.1 to 18.3 GHz, 18.3 to 20.2 GHz and 27 to 30 GHz frequency bands for specific countries.

Instead they will be set aside for allocation on a first come, first served basis and will probably be allocated at the planning meetings.

One other result of the WARC was a plan for feeder links (which transmit programmes from the ground to the satellite) for Europe, Africa and Asia, thus completing a comprehensive world agreement for direct satellite television broadcasting. And it also ensured that there will be world-wide high definition television and satellite sound broadcasting.

The conference decided that the high definition television service should be world-wide within the range 12.7 to 23 GHz, with the final choice of an appropriate band being decided at a future conference.

A conference no later than 1992 will decide which frequencies could be allocated to satellite sound broadcasting within the 500 to 3,000 MHz range.

This was to have been the final conference; however, it has been decided that further ones should be held to take account of new developments.

CONTRACTS

Power station project

KIER CONSTRUCTION, part of the of Beazer group, has been awarded the £35m contract for the cooling water pumphouse and outfall for the Sizewell 'B' power station by the Central Electricity Generating Board.

The contract falls into two separate elements, onshore and offshore works. All the onshore works will be constructed within a dewatered excavated area, protected by a diaphragm wall which was constructed under an earlier contract.

Onshore works comprise the construction of the main cooling water pumphouse and associated short lengths of culvert to connect with the turbine hall. The pumphouse, which has a very deep reinforced concrete basement with a steel superstructure, will house four cooling water pumps, drum screens and electrical equipment. An inlet diffuser, onshore inlet culvert, onshore outlet culvert and surge chamber will complete the onshore element.

Offshore works include an 850 metre long inlet culvert and an outlet culvert about 250 metres in length. Both culverts have a diameter of 5.5 metres and will be constructed as submerged tubes which will be precast remote from the site, then floated into position in a predredged channel. Other offshore works include the construction of a barge docking facility and a personnel jetty.

Kier's engineering department has designed a sheet pile cofferdam for the temporary works rather than the diaphragm wall which rival bidders were proposing. The cofferdam solution achieved a significant cost saving for the CEGB.

★

ROSKEL CONTRACTS, part of Roskel Group, is to instal suspended ceilings worth over £4.6m, mostly in 23 new superstores in a chain stretching from Kirkcaldy, Fife, to St Austell in Cornwall.

They range in size from 4,500 to over 9,000 sq metres of ceiling area and account for more than £3.6m of the total contracts value.

Among the clients are Sainsbury, Tesco, Asda and Savacentre but the biggest single installation will be at the Broadmarsh Shopping Centre development in Nottingham (£500,000).

BUSINESS LAW

The liability crisis, UK-style

By Celia Hampton

ANY "liability crisis" in the UK comes rather from the gaps and uncertainties in the law than from over-enthusiastic court activity, except in the case of professional advice. There is not a lot of point in suing anyone other than a professional for negligence unless you have also been physically hurt.

In particular, the notion that English law will support the victim of careless or shoddy workmanship looks strained. Every day there are millions of transactions where the victim has no contract as such with the person who does the work. The main contractor (builder, supplier, garage or whatever) fulfils his part of the bargain by getting someone else to do the actual work. All he has to show is that the sub-contractor was normally competent.

If the work is done badly, the victim's hope of suing the sub-contractor direct has more or less evaporated. On the other hand, the chances of reclaiming the loss from a professional person are promising. Anyone who professes an expertise in the area and is asked to supervise work may well be found legally liable for the whole loss, while the careless workman is untouched by liability. This is ironic, since the professional person tends to act responsibly and also to have unlimited personal liability when found negligent. It is also precisely in the field of professional indemnity cover that an insurance crisis is most likely to happen.

In other fields, some of the courts' decisions present a reasoned narrowing of the field of negligence which – whether one agrees or disagrees with the outcome – at least leave one knowing what one is looking at. Others are much more opaque. A recent House of Lords case has opened up whole fields for conjecture which will ultimately have to be resolved by more litigation at the highest and most expensive level.

The courts have contrived the narrowing of liability by differentiating between different sorts of loss. If the loss can only be measured in terms of money, it is "pure economic loss" and as such can only be recovered in special cases.

If a freelance bricklayer is taken on to build a wall and it falls down, various losses follow, all equally real to the owner. He is best protected if the wall falls on top of him. He will recover damages for pain and suffering and lost income, both during convalescence and in future, although this second loss is "purely economic." It would be quite impossible for the courts to rule otherwise, both in the light of precedent and on grounds of simple justice. In any event, the bias in favour of human safety is (quite properly) getting stronger, for instance in the new law on product liability.

If the wall damages other things when it falls, the bricklayer will be responsible for their repair and replacement, and for any costs or loss of profit from not being able to use them.

However, if no physical injury or damage to other property occurs, the owner of the building can recover nothing. Business or profit lost due only to the falling down of the wall and the cost of its repair are now indisputably classified as pure economic loss and as such are unrecoverable.

Historically, the right to recover pure economic loss was most strongly affirmed when the liability for careless deeds was extended to liability for careless talk (hence the greater liability of the professional). This is naturally more likely to lead to financial loss than physical danger.

Lord Devlin could find neither logic nor commonsense in any distinction between financial loss caused directly and such loss caused by physical injury *(Hedley Byrne v Heller (1963) 2 AER 575)*. He called it "nonsense:" "it arises, if it is the law, simply out of refusal to make sense."

The tendency to allow economic loss to be recovered reached its highest point in *Junior Books v Veitchi (1982) 2 AER 201*. The owner of a factory recovered not only lost profits but also the cost of relaying the floor which had been badly laid by a sub-contractor. Since then the courts have sought the shortest route down and away from this alarming position.

The recent House of Lords case goes so far as to suggest that economic losses may never be recovered, even when other sorts of damage do occur *(D & F Estates v Church Commissioners (1988) 2 AER 992)*. It also suggests that earlier case law under which a local authority was held liable for defective foundations in a house built under its supervision was not a case of liability in negligence at all. It suggests these things, which have wide implications, but it cannot be said that it has finally decided them.

The case concerned a building contract and the tenant of a flat. The plastering was done, badly, by a subcontractor. The case could have been decided by limiting the main contractor's liability to selecting the subcontractor carefully, but the argument about economic loss was, regrettably, also raised.

The logic of the judgment ran as follows. If the plaster was simply defective and had to be replaced, the tenant could not recover because the cost was pure economic loss. If the plaster was potentially a threat to human safety, the tenant could still recover nothing if he discovered the danger in time. He could only recover damages if the plaster fell down and caused injury or damage before the danger was discovered.

This raises the interesting possibility that a person who acquires defective property may himself be responsible for finding out its nature and avoiding the danger. If so, his damages could be reduced on the basis of contributory negligence.

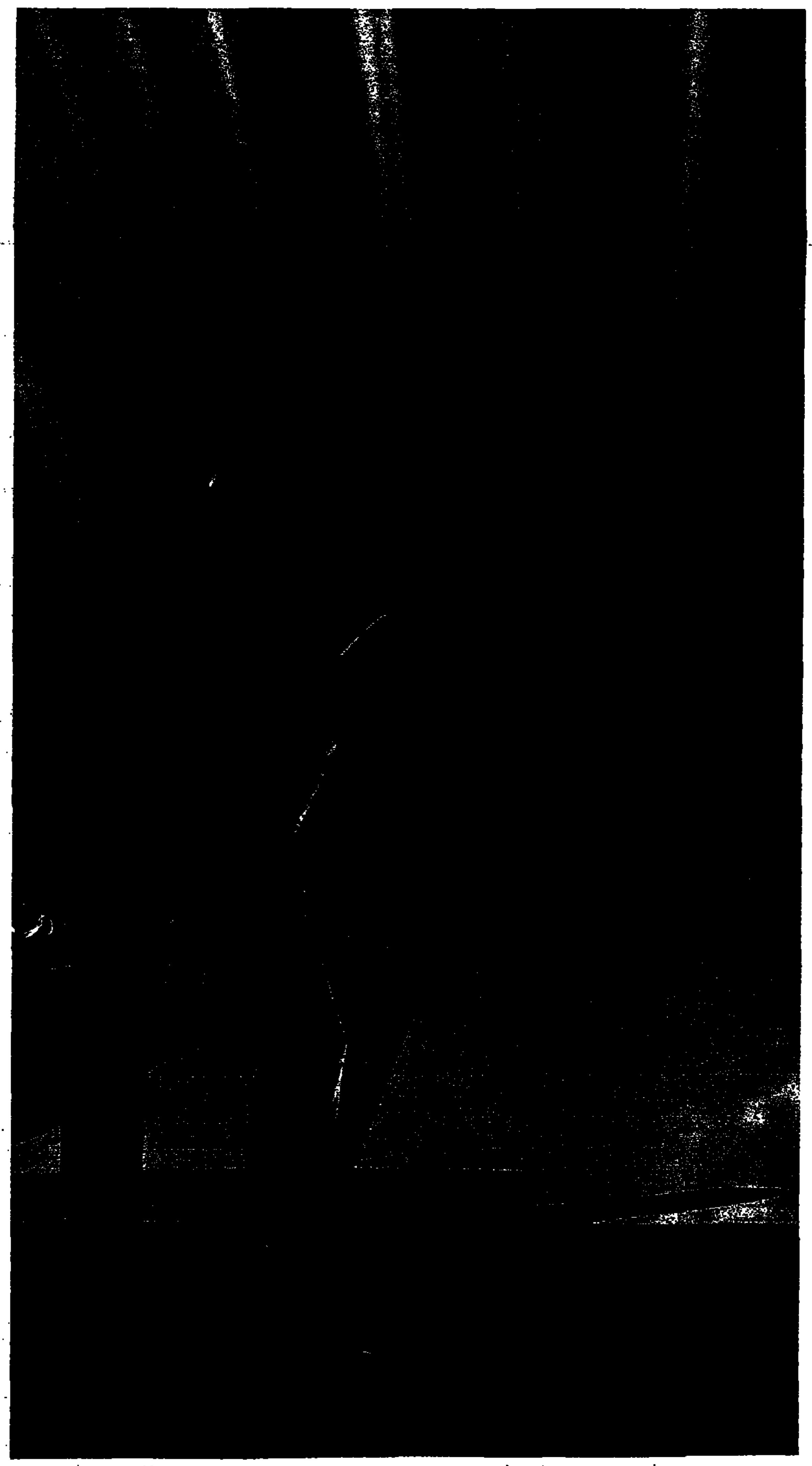
The House of Lords went on to doubt whether the losses caused by having to replace the plaster could ever be recovered, although the parallel losses arising from damage to other property could. This creates an odd position. If the wall falls down, damaging the floor and a machine placed against it, the builder will have to repair the floor and pay fully for the machine and even for production lost while it is out of action. As far as the wall is concerned, all he need do is make good the hole.

The House of Lords did not go so far as to overrule the defective floor case – *Junior Books* – but sought rather to isolate it. It was a case of dependence on the expertise of the flooring contractor, but this is quite normal. It was also a case where the factory owner and the sub-contractor were especially close – "as close as could be short of privity of contract." This gave scope for imaginatively distinguishing the precedent from new cases.

Just how imaginative this might turn out to be was shown in a case before the Court of Appeal where the parties were not just close to each other – they actually had a contract *(Greater Nottingham Co-op v Cementation (1988) 2 AER 971)*. Rather than making them even closer, however, this was found instead to defeat the analogy with the *Junior Books* case. The contract did not specifically cover the dispute. The parties were therefore treated as having decided not to cover the loss in question. It would be wrong to "extend" liability in negligence to fill the gaps in the contract.

Lord Justice Purchas sought to avoid the "Pandora's box of unbridled damages" and explicitly referred to "policy" rather than general principles of law. He mentioned the US liability crisis for the medical profession – hardly appropriate since the professional's liability is the only sort in English law which extends to pure economic loss, and also since medical negligence is likely to result in physical injury.

The Court of Appeal was clearly deciding the matter in the light of what it thought was policy



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Cadbury Schweppes

MANAGEMENT PROVEN IN THE MARKET PLACE

Cadbury Schweppes MANAGEMENT PROVEN IN THE MARKET PLACE.

What people think of their bosses and work

By Michael Dixon

HOW do you feel about your work?

That may perhaps strike readers as an impertinent thing for the Jobs column to ask. After all, even if you were willing to reveal the answer to a stranger, it would cost you at least the price of postage as well as valuable time to tell me.

Even so, the question is neither prying nor idle. For I am about to offer you a way of privately comparing how you feel about your job with the corresponding feelings of a representative sample of people working in Britain, and — although in less detail — a similar sample in the United States.

The comparison is made possible by the Wyatt group of management consultants, which has just completed an extensive survey of British workers' attitudes to match a study it made in the US last year. Surveys in other lands are planned to follow soon, with the aim of enabling employers to check how their people's views square with those of the generality of workers in the same industry or region, whether nationally or internationally.

The British study, done three months ago, covered 3,275 full-time workers in the private and public sectors, including 651 managers with at least two levels of staff under them. The mixture of organisations they worked for and their geographical distribution were reasonably typical of Britain's working population as a whole. So was their social profile.

Wyatt certainly cannot be accused of skimping detail. The survey even went into things like the temperature of the premises where people work. Overall, 36 per cent said it was favourable and 24 the opposite, with the rest finding it sometimes one and then the other, or unable to decide. But banks and the like need to look to their thermostats. Only a third of finance-sector staff liked their workplace temperature compared with two fifths of public-sector employees.

Alas, any reader wishing to know more of the finer points will need to contact Wyatt's Carl West-Meads at 21 Tothill Street, London SW1H 9LL; telephone 01-222 8033, fax 01-222 9182. From now on, my report will be limited to broader issues.

It turns out that, in many of our attitudes, we British are not much different from our counterparts in the US.

The sense of personal achievement afforded by the job satisfies 62 per cent of us as against 64 in the States. Similarly, 64 per cent of us compared with 67 of them are content with the opportunity we have to use our abilities, and 58 per cent against 60 find our work interesting. Americans are a bit ahead in general job-satisfaction, too, their 64 per cent comparing with our 59.

When the overall British figures are broken down by broad sectors of employment, however, there is no doubt which is the most generally satisfied if not smug. It is financial services with 65 per cent. The rest — the public sector, manufacturing, and other services — are all close to the national figure of 59.

Pay

There are no prizes for guessing what is one of the main influences behind the financial coven's smugness. It is of course pay.

On that topic the 3,275 people taking part were asked two questions. One was if they were content with their pay in comparison to that of folk in similar jobs in the same organisation, which gave a yardstick of "internal" satisfaction. The second was whether they were content with what they earned compared to people doing similar work in other organisations, giving an "external" gauge.

The overall figures for internal satisfaction were 67-plus per cent in the US and 59 in Britain. But a fair number of people who saw themselves as fairly paid by comparison with equivalent staff in the same outfit, clearly felt that the grass was greener on the other side of the organisational fence. For by the external measure, the satisfied proportions fell respectively to 50-plus per cent of the Americans and only 41 per cent of us Brits.

Moreover, although our internal contentment varied little by sector - from 61 per cent in the financial and other services groups to 57 in manufacturing — there were variances on the external gauge. The percentages of the satisfied ("Yes") and the dissatisfied ("No") excluding those neither firmly one nor the other, were:

Sector	*Yes*	*No*
Overall	41	34
Financial	47	32
Other services	44	31
Manufacturing	42	33
Public	34	41

When asked whether there was a strong link between pay and performance in the employing concern, we Brits were even more sceptical than the US contingent. Whereas 28 per cent of the Americans answered yes, only 24 per cent of us did the same. Here, however, there were marked sectoral swings:

Sector	*Yes*	*No*
Overall	24	49
Financial	50	25
Other services	28	45
Manufacturing	28	48
Public	10	60

Public employees were also lowest in satisfaction with openings for advancement. There too, the Americans led with 35 per cent satisfied compared with 31 of Brits as a whole. But public concerns' score was only 26 per cent against manufacturing's 34 and the other two's 36 each.

Promotion

The topic on which there was evidently the closest transatlantic agreement was whether the organisation was good at promoting the most competent people on its staff. There was a mere one percentage point difference, with 29 per cent of the US total saying yes compared with 28 per cent of us.

Yet again we varied by sector, as follows:

Sector	*Yes*	*No*
Overall	28	49
Financial	36	29
Other services	36	33
Manufacturing	26	40
Public	19	48

But the thoughts of the British on the competence or otherwise of colleagues who get promoted also vary in other intriguing ways. Here, for example, is the ranking that results when the total sample is analysed according to the length of time the 3,275 people had been working for their organisation:

Service	*Yes*	*No*
1 - 2 years	36	32
3 - 4 years	26	38
5 - 9 years	23	44
10 - 19 years	19	49
20 or more	23	45

So our cynicism about our bosses' promotion decisions seems to grow with the time we spend observing them. Fortunately, we at least relent a bit once we have served over 20 years.

The participants were also asked if their employer was too tolerant of bad workers. Americans, with 44 per cent agreeing, were sterner than British whose response was:

Sector	*Yes*	*No*
Overall	40	34
Financial	33	41
Other services	34	41
Manufacturing	40	35
Public	40	26

An allied result may interest British Labour Party leaders who think the public wants a return of union dominance. The replies of unionised and non-unionised workers to the same question were:

	Yes	*No*
Not in a union	33	41
Union members	46	29

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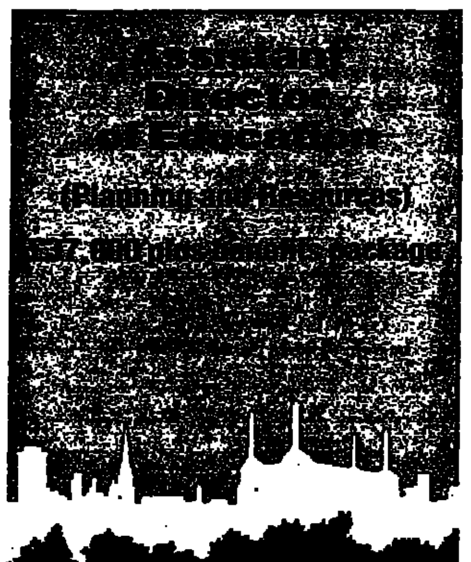

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ARTS

Culture laid on with the laid back approach

Martin Hoyle discusses the pros and cons of the current programmes about the arts on television

AN anecdote much cherished in the BBC some years ago concerned a television discussion of *Hamlet* chaired by the ineffable Huw Weldon, purveyor of culture to the gentry. The gathering included such thespian luminaries as Peter O'Toole and Orson Welles who mentioned Edmund Keane. "Ah, Keane," said Weldon sagely. "I never had the good fortune to see him." "Nor did I, grand-daddy," rumbled the genial Welles; "he died 150 years ago."

Weldon left an indelible mark on arts programmes – programmes about the arts, that is. He had made his name in children's TV and some maintained that he stayed in it, even when guiding cameras round royal residences and pointing out such marvels as the bill sent in by the original tassel-maker – "the man who made the tassels," he added thoughtfully for those unversed in stately furnishings. Whatever his failings, Weldon struck just the right chord with his blend of avuncular schoolteacher and unctuous shop assistant. He proved to a growing public that culture, like foreign food, could be painless, possibly pleasurable, and socially rather desirable.

Modified by our less genteel age, Weldon's influence lives on – ironically, in commercial television. While the BBC struggles to get it right, floundering between the matey and the patronising, Weldon's protégé Melvyn Bragg rarely puts a foot wrong as editor/presenter of the *South Bank Show* (LWT), *l'homme moyen sensuel* hobnobbing affably through the arts, relaxed but, if cornered, ruthlessly knowledgeable.

Memories of Weldon were prompted by Saturday's *South Bank Show* (he would have loved it) on the new recording of *Under Milk Wood*. Producer George Martin, the "Fifth Beatle," no less, presided over a studio brimming with the Principality's talent. Anthony Hopkins sounded uncannily like Richard Burton. Jonathan Pryce smouldered. Nerys Hughes' autocratic wife was eminently murder-worthy. Freddie Jones throbbed, Mary Hopkin – more fascinating than in her pop-star days – sang. So did Sir Geraint Evans and, more questionably, Tom Jones.

The recording session alternated with a Thomas biography. No revelations, but lovely shots of Laugharne, chats with the locals and recollections

The eternal problem: whether to reach to the novices or preach to the converted

from Dylan's daughter. Above all, Milk Wood exerted its unfailing spell. Without (apparently) setting out to puff the product, the programme decided me to buy the recording as soon as it comes out.

This is tricky ground. The BBC in particular should be alert to being used to advertise books, plays or records; but when most chat shows contain some sort of puff and the egregious Ned Sherrin, for instance, drags in a mention of *Ziegfeld* (he is co-author) at every appearance, one begins to wonder. More disturbing are the reports that BBC arts review policy is geared to the "positive." Say something stinks and you are not asked back; even if it does.

Nobody could accuse Channel 4's *The Media Show* of being negative. Or anything much. Now that Muriel Gray no longer uses Boy George's makeup and looks almost normal, both she and the show have lost their individuality. Refraining from plugging is one thing; but having no point of view is another. Last Sunday we saw a stale and cliché-ridden item on the difficulties of stand-up comics becoming actors, with specific reference to Tom Hanks and Robin Williams, illustrated by obscure American critics citing obscure films, most of which Britain has never seen. A brief look at TV's political influence in Chile was over before it began. The ubiquitous Robert Beckman preached economic doom seated, by a rather desperate producer, on the edge of a balcony with our Mu. And Terry Gilliam seemed to claim that every good TV commercial was cribbed from his own *Brazil*.

The show is a chore to sit through, unexcitingly presented, incohesive and falling between several stools. It belongs to the savvy, quick-cutting cool school of *01 for London* which provides its own version of Warhol's dictum that everyone can be famous for 15 minutes: everyone is boring after 15 seconds, so get on with it and get off.

Something of the same style could be detected in Channel 4's new *Signals*. The frozen-faced presenters were Patrick Hughes and Morwenna Banks, whose performing experience really should have prevented that rabbit-hypnotised-by-snake look on her face.

But the show was decent. Separate items on art galleries in Halifax and Derry were visually too similar. Irritating wordless film from up north, lovely visuals. We could do with more of Tom Haddaway, "South Shields playwright and fishworker." Ratushinskaya was moving, Zepheniah and the CBSO have been done to death; good to see Jan Spink and Second Stride dancing in Basildon. Roger Graef is the series editor, so the promise is there.

All of which is a far cry from Huw Weldon. The eternal problem facing arts programmes – whether to reach to the novices or preach to the converted (and thereby be accused of elitism) seems to have sorted itself out on television, with a laid-back approach taking populist art-forms to a mainly young audience.

Or has it? This is after all as specialised and incomplete a view of "the arts" as an unending diet of Karajan, Glyndebourne and the V and A would be. Throw out the bathwater of elitism and you may lose the babies of

Throw out the bathwater of elitism and you may lose the babies of taste

taste, perspective and even knowledge. When Muriel Gray upbraids a TV commercial for combining animated cartoon with human actors because the idea belongs to *Who Killed Roger Rabbit?* – as if Gene Kelly had never danced with Gerry, Mickey Mouse had never shaken hands with Stokowski, and Disney had never blended the forms in *Song of the South* before Steven Spielberg and possibly even Muriel Gray were born – then, to quote another wrinkly, Browning, "I feel chilly and grown old."

Sometimes the arts review programme turns into light entertainment, no bad thing. Thus Channel 4's *39,000 Steps* visited the Edinburgh Festival fringe (a mere month after the whole thing ended) with one John Lloyd – not he of the FT – who had breakfast with alternative comics, making one another laugh at least, and attended an artist's model (male) striking attitudes and humming while demonstrating meditation in the nude. This non-committal look at the jaunty side of the world's greatest arts festival where "undiscovered geniuses and talented maniacs cavort" failed to decide whether or what to mock; or in which category Mr Lloyd belongs.

Halfway between comment and dispassionate record, BBC2 repeated that awesome slice of crossover, as it is now called in the music business, in the shape of José Carreras and Kiri Te Kanawa recording *West Side Story* under the composer's baton. Bernstein effed and blinded – well, effed, certainly – like the rest of us mere mortals, which was reassuring. Dame Kiri burbled about the music not needing precision – "that's not to say," she added, it wasn't precise – and the maestro not being over-serious – not that he wasn't serious, she hastily amended – and the sweet nothings that a DBE has to be very pretty to get away with.

The accolade has yet to be given to Gwen Ffrangcon-Davies but if there is any justice in the honours system it cannot be far away. The senior service has already treated us to her Juliet excerpts; on Friday *Omnibus* brought the breathless girlish magic of the 97-year-old to television. A *Romeo* masterclass with young actresses (all outclassed by her freshness and vulnerable youthfulness) and tributes from Gielgud, Ashcroft and the like made a moving and stirring parade of the great and the good, both adjectives seeming perfectly appropriate for once.

No apologies for reminding you of two more repeats, both brightening up Saturday on Channel 4. In *Allegro*, a cycle of Christopher Nupen's music documentaries, we next see Jacqueline du Pré in Elgar. And an absolute must is the current repeat of Thames Television's *Hollywood*.

Barbara Flynn

Alastair Muir

The Millionairess

GREENWICH THEATRE

Sue Dunderdale's new regime at the Greenwich Theatre kicks off with Shaw's rarely seen 1936 comedy about a confidently bossy plutocrat taking over an East End sweatshop and a run-down river pub.

Epifania Fitzfassenden may not be a model Thatcherite in that she starts with a fortune, but her whirlwind success and invocations of the self-help philosophy have certainly acquired a new ring since Penelope Keith laid down the law at the Haymarket ten years ago, one year before Mrs Thatcher came to power.

Barbara Flynn's Epifania is much less of a grand dame than was Miss Keith's, and this causes problems when she is required to be merely haughty. It is not in her nature or range as an actress. But she certainly convinces on the self-defence front, throwing a dyspeptic suitor who insults her father down the pub stairs with the force of a judo champion.

When, like Beatrice Webb and Shaw's own Major Barbara, she goes "East-Ending," Miss Flynn lights up with rage at social injustice, but only for long enough to make short term adjustments and a personal profit.

The play is too much of a thin comedy and too little of a broad extravaganza. It hinges on the ridiculous encounter between Epifania and an Egyptian doctor (ludicrously immortalised by Sophia Loren and Peter Sellers in the film), each bound by a matrimonial condition imposed by a parent. Epifania will marry only a man who converts £150 into £50,000 in six months, the doctor only a woman who has lived in poverty for the same period.

Having started by lodging a suicide request with her solicitor because her first husband has achieved this task, Epifania, unimpressed by his prowess in both the bed and the boxing room, wishes to elevate the sex war to a higher plain. The athlete, Alistair (Martyn Stanbridge), settles for a mistress (Gabrielle Lloyd) who is less a soul-mate than a mind-mate.

It would be pleasant, but impossible, to hail Fanny Cheval's production as a promising launch. For some reason it is crammed onto a shallow stage area dominated in Douglas Heap's design by a painted pound note and topped off with a meaningless countryside view. The actors line up, sit down and side pass each other as if in a dentist's waiting room. The performance, decidedly shaky on Monday, is emphatically humdrum.

Miss Flynn keeps things going with brave determination and Malcolm Sinclair chips in suavely from the sidelines as the solicitor. The East End couple are played with Jewish hysteria verging on despair, a good idea, while Nasser Memarzia's doctor is too ponderously unexcitable to be knocked out by the beating of Epifania's pulse.

In the wake of Michael Holroyd's Shaw biography, the role of a "Sunday husband," the story of a failed tenor and the obsession with parental denials and expectations, are all newly fascinating. But the search for "relevance" proves in the end futile, Epifania conforming to comic design, not conviction politics.

The production, sponsored by the nearby Clarendon Hotel, will be followed in December by a new adaptation of Wilkie Collins' *The Woman in White* and in the New Year by two new plays, *Othello* and Vanbrugh's *The City Wives Confederacy*. On paper, this looks good, and I hope the programme looks even better on the stage, better certainly than this opening shot.

Michael Coveney

Charpentier at Versaille

The French delight in grand spectacle. The two day festival at Versailles recently, *Journées Marc-Antoine Charpentier*, reflected this. Performances in the Château chapel, courtyards, and nearby in the church of Notre Dame de Versailles vied for attention with water-fountain displays, processions of dancers in period costume, fanfares from the Garde Républicaine on horseback, and fireworks. Fourteen groups, mostly French, appeared in 32 events, often simultaneous. And what might have appealed to only the most inveterate lover of French baroque music attracted large crowds of French families, progressing from one open-air performance to the next.

The event was the first to be organised by the Centre de Musique Baroque at Versailles, founded just over a year ago to promote period performance in France by using the resources of the Château as a festival venue. Jean-Claude Malgoire, director of the event, conducted the combined forces of his Grande Ecurie and four independent choirs in performances of Charpentier's early, Italianate *Messe à Quatre Choeurs*, interleaved with an organ mass by Grigny. The publication of the first monograph devoted to Charpentier, by Catherine Cessac, and the announcement of the forthcoming facsimile edition of Charpentier's complete works by Minkoff Reprints further contributed to the sense of occasion.

Interest and affection for Charpentier's music has blossomed in recent years, thanks largely to the efforts of William Christie and Les Arts Florissants. Even more than Malgoire, he has nurtured a generation of promising young French singers and instrumentalists. Christie makes great demands on his musicians, but the rewards are great, too. Their electrifying performances of Charpentier's mass, *Assumpta est Maria*, and his *Te Deum* were among the highlights of the two-day festival.

The Chapelle Royale was the scene of concerts by the Ensemble Vocal Contrepoint with the Ensemble Baroque de Limoges, directed by the countertenor, Olivier Schneebeli; James Bowman with the King's Consort; and Hesperion XX. Schneebeli is himself a keen judge of tempo and capable of coaxing from his singers extremes equally of joy (especially in the *Psaumes de David*) and of anguish (as in *Caedes Sanctorum Innocentium*); his soloists, especially the countertenor, Jean-Paul Fouchecourt, made intensely musical contributions. The audience was enthralled by Bowman's solo recital of music broadly by Charpentier's contemporaries, among them Purcell and Couperin.

Hesperion XX, directed from the treble viol by Jordi Savall, stunned audiences with their sublime interpretations of Charpentier's *Stabat Mater*, an undated work for sopranos, unison male chorus, and continuo. Hesperion XX performed it as a concert piece, with the sopranos – two Spaniards and an American – discreetly out of sight, and the effect was intensely moving. They and Les Arts Florissants gave interesting different performances of the *Litanies de la Vierge* for six voices, two treble viols and continuo.

Other memorable events included La Peniche Opéra's outdoor performances at the Grand Trianon of Molière's *Le Mariage Forcé* with comic *Intermèdes* composed by Charpentier for a 1672 revival (to replace those of 1664 by Lully). The company, founded by Mireille Laroche, performs regularly in Paris on a barge moored on the Canal St Martin and tours abroad *en canal* during the summer. Like Molière's own troupe, they are versatile. The well-known countertenor, Dominique Visse, in particular shows himself a gifted comedian in the role of Sganarelle. Elsewhere, the hunting horns of Le Débuché de Paris and the delicate strains of *musique de chambre* by the Collegium Musicum de Paris emanated from the park, although the latter would have been better served by an indoor venue.

In the Cour de Marbre, the improbable sight and sound of I Milanesi *comedia dell'arte* troupe completed the array of popular entertainment. Around the corner, at the Théâtre Montansier Marc Minkowski and Les Musiciens du Louvre presented an act of Charpentier's 1693 opera *Médée* and his *Intermèdes* from Molière's *Le Malade Imaginaire* of 1673. Louis Devos, one of the first to record French baroque choral music, conducted his Orchestre Musica Polyphonica and the Chapelle Royale Choir of Namur in a performance of Charpentier's funeral music in honour of Louis XIV's first wife at Notre Dame de Versailles.

This, then, was a stimulating weekend of music spectacle, worthy of emulation. Perhaps the Centre de Musique Baroque de Versailles will next take up the unjustly neglected Michel Richard de Lalande, who, more than any other composer, deserves to have his music recreated at Versailles, where he dedicated himself to the glorification and service of Louis XIV.

Julie Anne Sadie

Measure for Measure

BARBICAN

Last autumn in Stratford Michael Coveney warmly welcomed Nicholas Hytner's glimpse of a morally decaying Vienna with its bicycle-shorted youths on the *qui vive* round the public lavatories, its clanging, water-dripping prison, its young smoothies equally at home in the brothels and the boulevards; and the final unravelling played out against nothing more reassuring than a city gate cut in a slab of 1930s dictator-monumentalism that recalls the same director's *Rienzi* for English National Opera.

The light-textured production gives comedy its due; and the occasional taken-aback silliness of the highly-principled Duke is effortlessly expressed in the broad sweep of Roger Allam's magisterial performance. Mr Allam has become simply the most consistently excellent actor the RSC possesses.

I suspect the reservations about Josette Simon's Isabella apply less than they did. She has transformed her voice, both timbre and enunciation; no more of the Edward Heath diphthongs and wooden monotone of her Nerissa and Rosaline. Incisive, vocally varied, though slightly lacking the full weight for the early emotional climaxes, she gives the best performance I have seen from her, dignified and touching.

John Shrapnel has replaced Sean Baker as Angelo. Until his temptation this gimlet-eyed balding bureaucrat, rigid with probity and impatient with lesser mortals, a grimly thoroughgoing party man, might be a central European cousin of Mr Norman Tebbitt. His weakness and fall seem all of a part in this louchely self-indulgent twilit world of "sweet uncleanness" whose denizens are beautifully represented by Linda Spurrier's Streatham-accented Overdone and Phil Daniels' swaggering, expedient Pompey. Only Alex Jennings' Lucio is out of focus, with his overdone funny voice: part decent chap, part vicious rogue and part idiot, not entirely adding up.

An oddly unattractive song setting apart, Jeremy Sams' music comments like a film sound-track. For me it reinforces this outer circle of urban hell; but in the interval at least one colleague was heard to wish for a law forbidding the RSC to use music in any production for the next ten years.

Martin Hoyle

Brahms and Schoenberg

FESTIVAL HALL, RADIO 3

"The Reluctant Revolutionary" will involve all London's orchestras at some point, but it is predictably the BBC Symphony which carries the burden of the large-scale concerts. Monday evening's, conducted by Lothar Zagrosek, dispatched a sharply contrasted trio of Schoenberg pieces – the masterly middle-period *Accompaniment to an Imaginary Film Scene*, the late, austere *Modern Psalm* and between them a concert performance of *Die glückliche Hand*.

Concert performances are the most one can expect nowadays of this "drama with music," the most elusive of Schoenberg's atonal masterpieces, though a production in which the minutely detailed stage directions were faithfully realised would be fascinating to experience. It's the only work too, which rivals the composer's paintings in its personal frankness – despite its surreal elements, the scenario is patently autobiographical and characteristically bleak, and the rapid shifts of emotional temperature are registered "sharper dramatic focus;" the baritone protagonist here was Roland Herrmann, who understandably took a few phrases to settle into the part, but thereafter took every opportunity to inflect the role with all practical passion.

Zagrosek's reflexes were equally well tuned, and in the *Film Scene* also the BBC Symphony teased out the instrumental lines with great assurance; more than a decade after Boulez, this orchestra still plays this repertory more idiomatically than almost any other. The BBC Singers coped well with the unforgiving *Modern Psalm* and in doing so brought the concert full circle, for it had begun with three choral works by Brahms. *The Song of Destiny*, and Song of the Fates are heard relatively rearely; Zagrosek and his chorus presented them exuberantly, richly coloured. The *Alto Rhapsody* had the benefit of Brigitte Fassbaender as soloist. Her view of the piece was notably astringent, and never allowed its sombre tone to be mitigated by sumptuous tone.

Andrew Clements

ARTS GUIDE — October 7-13

THEATRE

London

Easy Virtue (Garrick). Transfer of King's Head revival of early Noel Coward, same period but lesser vintage than Hay Fever, but worth seeing (379 6107).
South Pacific (Prince of Wales). Average, traditional revival of the great Rodgers and Hammerstein musical, with Gemma Craven failing to wash the baritonal Emile Belcourt out of her hair (839 5989).
The Phantom of the Opera (Her Majesty's). Spectacular, emotionally nourishing new musical by Andrew Lloyd Webber (839 2244, credit cards 379 6131/240 7200).
Follies (Shaftesbury). Eartha Kitt and Millicent Martin now decorate Mike Ockrent's strong revival of Sondheim's 1971 musical, in which poisoned marriages nearly undermine an old burlesque reunion in a doomed theatre (379 5399).
Hapgood (Aldwych). New Tom Stoppard mixes espionage, romance and higher physics. Felicity Kendal is the eponymous intelligence agent, Roger Rees and Nigel Hawthorne in elegant support (836 6404, credit cards 379 6233).
The Admirable Crichton (Haymarket). Rex Harrison and Edward Fox in enjoyable revival of Barrie's imperishable comedy of class barriers and reversals on a desert island (930 9832, CC 379 4444).
Dry Rot (Lyric). Brian Rix returns to the stage after an absence of 12 years in a 1950s farce that prefigures the capture of old England by the spivs and opportunists. A genuine classic (437 3686).
The Sneeze (Aldwych). Eight short Chekhov pieces – four vaudevilles, four early stories – translated and adapted by Michael Frayn and performed in various styles by Rowan Atkinson, Timothy West and Cheryl Campbell. Slightly rewarding, intermittently funny (836 6404, CC 379 6233).
Sugar Babies (Savoy). Mickey Rooney and Ann Miller repeat Broadway roles and exhibit stamina and star quality in a mixed bag of coarse burlesque sketches (836 8888).

New York

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).
A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions (239 6200).
Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).
Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognise its US incarnation: the skaters do not have to go round the whole theatre but do get good exercise on the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up, silly plot (586 6510).
Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit (947 0033).
M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).
Speed-the-Plow (Royale). David Mamet applies his biting sarcasm and ear for the exaggerations of American language to Hollywood, in this screamingly funny and well-plotted exposé of the film industry (239 6200).
Stranger Here Myself (Public). Angelina Roux performs two decades of Kurt Weill's songs in a one-woman show covering the composer's careers in Berlin, Paris and New York (598-7100).
Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Washington

Les Misérables (Kennedy Center Opera House). The touring company of the international hit of last season brings to Washington the historical sweep of Victor Hugo, set to music and an insistent contemporary beat. Ends Oct 15 (254 3770).
Sleuth (Eisenhower). Stacy Keach and Maxwell Caulfield star in the mystery pitting a writer against a mild-mannered travel agent who's stolen his wife's affections (254 3679).
Driving Miss Daisy, Julie Harris stars in the Pulitzer Prize winning play about the black chauffeur and his elderly, understanding mistress as the South undergoes vast changes that cannot help affecting them. Eisenhower, ends Nov 12, (254 3670).

Tokyo

Kabuki (Kabuki-za) Performances at 11am and 4.30pm. The morning programme includes Moritsuna Jinya, a play set in an age of civil strife – a popular actor's vehicle, since the role of Moritsuna is considered one of the finest in kabuki. In the afternoon: Kagamiyama Gonichino Iwafuji. This play is based on a scandal that occurred in court shortly before it was written but, in typical kabuki fashion, transposes it to a remoter age. It is noted for its spectacle – scattered bones rising up to form a complete skeleton and a beautiful mansion transformed into a haunted house. Excellent programme and earphone commentary in English. Tickets also available for a single act. For details, enquire at the theatre (541 3131).
Gorky Theatre, Leningrad, in Chekhov's Uncle Vanya, Peter Schaffer's Amadeus. The Bolshoi Drama Theatre, better known as the Gorky, was founded in 1919 and is now one of the Soviet Union's most popular and most innovative companies. In recent years its repertoire has been widened to include new, if uncontroversial works from the West, by the likes of Schaffer and Neil Simon. Globe Theatre (572 6331).
Aoyama Theatre. The 35 Steps. Musical revue by the Shiki Theatre Company, which specialises in musicals and is 35 years old this year. Extracts from major Shiki productions, from West Side Story to Phantom of the Opera (0120-489444).

SALEROOM

Big price for miniatures

In 1959 Arthur A. Houghton acquired the finest edition of the Shahnameh, a Persian epic poem written by Firdowsi. It was produced in the early 16th century in Tabriz and for centuries was in the library of the Ottoman sultans, before entering the collection of Baron Edmund de Rothschild. Its 258 miniatures are regarded as among the finest examples of Safavid art.

Fourteen miniatures were sent for sale at Christie's by Houghton yesterday and raised £976,800. The top price was the £253,000, slightly above the top estimate, for a miniature depicting the hero Rustam receiving his horse Rakhsh from Afrasiyab's herd. The London dealer Spink paid £126,500, double its top estimate, for a miniature of Rustam killing the White Div, chief of the demons.

The Earl of Stradbroke (Australian Keith) is over £1m richer from the sale of the contents of Old Henham Hall in Suffolk, with one more day of the auction to go. The second day produced one extraordinary price of £165,000 paid by the London dealers Vigo Sternberg for a late 18th century Axminster carpet designed by James Wyatt for the Great Library in nearby Heveningham Hall. It has recently been on display at Stourhead. It carried a top estimate of £35,000, but carpets of this period in good condition are very rare.

A portrait by Henry Chalon of the racehorse Quiz, which won 17 races for the Stradbroke family in the early 19th century, sold within target for £77,000, but a George III guilt salon suite designed by Wyatt for Henham Hall was unsold at £60,000.

Sotheby's has missed out on country house sales in recent years, but held one yesterday at Avishays, near Chard in Somerset. The morning brought in £452,669, with 6.8 per cent unsold. The highest price was the £22,000 paid for a pair of early George III mahogany armchairs, once the property of the Duke of Leeds.

A third bundle of letters written to the Corsini Brothers of the City of London was disposed of at Christie's Robson Lowe yesterday for £57,545. The Corsinis were importers and exporters in Elizabethan England and the correspondence gives an almost unrivalled portrait of the times. The top price was the £2,200 paid for a letter, signed by Howard of Effingham, Lord Admiral, and Francis Walsingham.

Antony Thorncroft

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A nuclear insurance

THE ARGUMENT about whether Britain's Central Electricity Generating Board should restrict its evidence to the planning inquiry into a proposed nuclear power station at Hinkley Point, in Somerset, emphasises an unfortunate confusion of Government policy on this issue.

At the start of the inquiry, the CEGB said it would not submit its latest estimates of the comparative cost of generating electricity in coal-fired or nuclear plant, even though the predicted economic advantage of nuclear plant was the centre of its case for building its first pressurised water reactor at Sizewell, in Suffolk. After a four-year inquiry, this case was broadly accepted by the planning inspector.

In its application to build an identical plant at Hinkley, the CEGB is relying more formally on the Government's policy of support for the nuclear sector. However, the planning inspector has asked the board to reconsider its decision not to submit cost estimates.

The Government said in its electricity White Paper in February that for strategic reasons the privatised electricity industry would be required to supply a minimum proportion of power generated in "non-fossil fuel" plant. The CEGB has argued that this requirement over-rides considerations of the relative cost of coal-fired and nuclear power and that the new station is justified on strategic and security reasons alone.

New forces

It is understandable that the CEGB and the Government wish to avoid re-opening arguments which were covered exhaustively in the Sizewell report only two years ago. However, the privatisation of the industry will unleash new economic forces which are mostly hostile to the nuclear industry. Policy towards nuclear power must be thought through with much more rigour than was applied to it in the four paragraphs which the White Paper bestowed on the subject.

Most international studies show that the cost advantage of nuclear power has been squeezed by higher nuclear construction costs and by the prospect of weaker coal, oil and natural gas prices. In the UK, privatisation will put special emphasis on the high capital costs and the higher economic risks of nuclear plant. This is because the private sector will want a much higher real rate of return on capital projects than the 5 per cent now set by the Treasury.

Unless the British nuclear industry can demonstrate better performance, the private electricity industry is likely to want to minimise its capital exposure by building cheaper and smaller coal and gas-fired plant.

Internal estimates

The Government wants to counteract this tendency by providing a nuclear insurance against future price shocks for fossil fuels. But nobody should be asked to take out an insurance policy without knowing the premium. The CEGB's internal estimates appear to suggest that the higher cost of nuclear power may not be very large, depending on the assumptions made.

If that is so, a modest continuing nuclear power programme could be justified. But the Government has yet to explain how the costs of the programme will be monitored and allocated. Its White Paper did recognise that ministers will need discretion to decide the figure for the proportion of "non-fossil fuel" electricity sold by the industry. This ought to mean that the speed and extent of the nuclear programme will depend on the industry's ability to control costs.

The fundamental need is for the Government to set out fully and clearly why, in the light of the changed circumstances of the British coal industry and the outlook for lower fossil fuel prices, a sizeable investment in nuclear power is still in the national interest. If it remains convinced that despite its higher cost nuclear power is necessary for strategic reasons, there is a strong case for recognising this through an explicit subsidy which would be paid by all taxpayers, rather than by electricity consumers.

Algeria's need for reform

NOT BEFORE time, President Chadli Bendjedid of Algeria has moved to assert his authority and to quell the worst riots the country has witnessed since gaining independence from France 26 years ago. His promise of wide-ranging, if unspecified, reforms might cool passions in the short term. However, he will have to shake up thoroughly a corrupt state and party apparatus if he is to convince a majority of his countrymen to accept a continuation of restrictive economic policies.

The riots are the direct consequence of the austerity measures introduced by the Algerian Government since 1986 in the wake of sharply falling oil prices. Algeria derives more than 95 per cent of its foreign income from the export of hydrocarbons, including large quantities of natural gas. As a result of the drastic fall in the prices of its principal exports, its foreign income was cut from $13bn to $8bn between 1985 and 1987.

Riots occurred for similar reasons in Morocco in 1981 and 1984 and in Tunisia in 1984, as the authorities in these two neighbouring states cut subsidies on staple foods in an effort to reduce public spending and meet foreign debt repayments. Although austerity measures were initiated three years ago in Algeria, the country was shielded from the need to push through more fundamental reforms for longer than its neighbours because, until 1986, the income from oil and gas exports still seemed relatively secure. Today, Algeria is suffering more because its exports are concentrated so heavily in one sector.

Daunting problems

President Chadli has taken steps to liberalise the agricultural system by renting out state land and allowing the price paid to producers to rise. But the legacy of collectivisation, the forced pace of industrialisation and the neglect of water supplies and housing remain daunting problems. Despite a sharp increase in the amount of food produced domestically, Algeria still imports over half of its food consumption. And in spite of the building of many new dams, water is often scarce in the cities and its use in industry wasteful. A population increase of 3 per cent per annum has exacerbated an already acute unemployment problem.

Yet austerity alone does not entirely explain the violence of the mobs. Most Algerians feel that the status of legitimate ruling party, which the Front de Libération National (FLN) acquired in the bitter struggle against France, has all but evaporated.

Corrupted by power

As in other one-party states, where the opposition has no voice and where the rulers show little respect for human rights, people who were once true idealists in the cause of independence are perceived by much of the population to have been corrupted by power. Ordinary Algerians, most of whom are of peasant stock, are still imbued with a strong egalitarian sense, a legacy of the war of independence. They have apparently found it intolerable that their leaders have failed to practise the economic and social equality which they preach.

Islamic fundamentalist groups have taken advantage of the unrest initially provoked by left-wing elements, both within and outside the ruling party. But there is every reason to believe that economic and political grievances – not religious fundamentalism – were the key factors behind the riots.

Algeria is one of a number of resource-rich countries with relatively large populations which now find that their years of affluence have left them with a hangover. The process of adjustment, as the example of Mexico shows, is painful and requires political determination of a high order. President Chadli has little choice but to continue his programme of economic restraint and to encourage the private sector to play a bigger role as part of a strategy aimed at diversifying Algeria's exports away from the oil and gas sector. However, to win the necessary public support for his reforms, he will have to appoint to senior party and government posts a new generation of competent economic and industrial managers.

Roger Matthews, recently in Rangoon, reports on Burma's slide into chaos

ECONOMIC paralysis and political paradox have temporarily become Burma's most visible characteristics as it stumbles towards a future finely balanced between optimism and accelerating disaster.

In the past two months, troops, acting in the name of democracy, freedom and economic liberalisation, have shot dead and wounded thousands of unarmed civilians demonstrating in support of democracy, freedom and economic liberalisation.

It costs a satchel full of bank notes, in kyats perversely denominated in tens, 15s, 45s and 90s and worth about $200 at the official rate of exchange, to *rent for the day a beaten up 25-year* old Australian-built car with a plastic can in the front seat acting as the petrol tank and a driver chain-smoking green cheroots.

The cost of using public transport, when it operates, has soared to the point that the average price of a daily return journey to work, often spent clinging to the outside or roof of the vehicle, is equivalent to daily public sector pay rates – about $2 at the free market rate of exchange. Not surprisingly many workers only turn up on pay day.

In Rangoon's once smart Strand Hotel the only choice offered is between ochre-coloured water from the hot tap and *sepia*-coloured from the cold (the temperature is common to both). The nominal staff-to-guest ratio last week was 70-1. Evidence that a six-week general strike had been broken was provided by two young ladies who sat solemnly for several hours in the hotel's handicrafts shop surrounded by totally bare shelves. They had no idea when, or indeed if, they would ever get any stock, and were not seen again.

Burma's military government is in a similar situation. It, too, has not sold anything for at least three months. It has defaulted on its foreign debt of $3bn-$4bn, reserves are below $20m and all external assistance has been halted. Only senior members of the regime can afford to travel abroad, although the Anglican Archbishop of Burma did receive an official foreign exchange allocation of $14 to attend the recent Lambeth conference of Bishops.

The regime is also politically bank*rupt. During August and September,* millions of Burmese thronged the streets of the main cities demanding an end to the government which during the past 26 years has reduced one of Asia's richest agricultural nations into the world's ninth poorest. At the free market rate its gross domestic product last year amounted to $1.42bn, not much more than half the market value of the company which owns this newspaper.

When a spokesman for the regime told the United Nations at the end of last week that the situation in Burma was returning to normal, he was all too depressingly correct. More precisely, he could have said that by unleashing the troops to kill demonstrators, including schoolgirls, and to carry out summary executions of student activists, the regime had successfully, if temporarily, cowed the urban population.

As dusk fell each evening last week over Rangoon and the 8pm curfew approached, the games of football in the middle of main roads came to a halt, the ubiquitous kites were reeled in and the emboldened rat population was left to share the streets with the army patrols, heralding the start of the state radio's nightly perorations against "unsavoury elements" which, it says, are trying to disrupt its plans to bring about free and fair elections. While simpler souls may have been tempted to believe that power grows from the barrel of a gun, in Burma, according to the military, it is democracy which is sprouting.

Buddhist monks join protesters during a demonstration in Rangoon last month

A spent regime clings to power

An Election Commission has been established, comprised of five venerable gentlemen, the youngest of whom is in his early seventies, to make arrangements for the polling. Political *parties are being formed* – *five at the* last count – and being legally registered. But there is no freedom of expression, no freedom of association and there is a five-year jail sentence for "hindering" the work of the state. Until those obstacles are removed it will be very difficult to assess the relative stances and strengths of the nascent parties.

Only one man might be able to interpret authoritatively what these contradictions mean for the 38m people of Burma. He is General Ne Win who seized power from the democratically-elected Prime Minister U Nu in 1962 and has ever since led the country down the Burmese Road to Socialism while shutting himself off both from the world and the mass of his people.

Described by one of the few non-Burmese to have met him regularly as "socially, a very charming man", Ne Win's policies smack more of personal idiosyncracy than a coherent political philosophy and are strongly flavoured by the predictions of his personal astrologer. Those who know Burma well give credence to some of the bizarre ritual acts he is supposed to have performed in order to ward off his astrologer's less happy visions.

The key to understanding Ne Win is said to be a bitter experience in his youth when he ploughed his meagre capital into a small business, was viciously undercut by local Indian and Chinese traders and was ruined. As a consequence, all means of production, distribution and export have been kept in state hands and virtually all foreign investment barred since Ne Win took power.

Twice he has slashed the country's money supply – last year by an esti*mated 50 per cent* – *simply* by declaring worthless all notes of certain denominations, a move aimed primarily at Indians and Chinese who dominate the country's flourishing black economy. The fact that the meagre savings of many other Burmese were also wiped out was apparently immaterial.

In July, at the special congress of his then ruling Burma Socialist Programme Party, Ne Win staged a tactical resignation but could not bring himself to mention the critical subject of economic liberalisation to which Japan, as Burma's largest aid donor, had linked any further payments. Planned changes announced the following day by the then finance minister were too imprecise and vague to persuade anyone of the Government's commitment and were anyway lost in the storm which came close to sweeping away the regime.

By unleashing the troops to kill demonstrators the regime has successfully, if temporarily, cowed the urban population

General Saw Maung, the third of Ne Win's acolytes to have attempted to run the Government since the end of July, is making no pretence of economic management. Having terrorised the urban population into returning to their places of work – although very few are working – his nine-man military administration sees its sole role as maintaining law and order to allow for multi-party elections.

However, it has so far refused to meet any representatives of opposition groups which have in the past few months begun to articulate the demands of the mass of the population. As in other revolutionary situations around the world in the past two decades, it is the disaffected former members of the ruling class who have made the early opposition running.

U Nu, who in 1948 signed Burma's independence agreement with Britain, unilaterally announced last month that he had, at the age of 82, joyfully resumed the premiership seized from him in 1962 and was demanding the regime pass over the machinery of government. Without any consultation he announced the members of his interim government and said last week that he felt betrayed because they had declined to serve. Yet, he manages still to speak with respect, almost affection, for Ne Win and still commands a degree of popular support.

The newly-registered National League for Democracy, which for Western ambassadors in Rangoon is the opposition party offering the greatest potential, is headed by two former military men, Brigadier Aung Gyi and General Tin U together with Aung San Suu Kyi, the youthfully attractive wife of an Oxford academic, whose father is still revered as the leader of Burma's fight for independence. Combining military tradition, historical legitimacy, and a breath of vitally-needed foreign experience, these three form the nucleus of an organisation which could acquire genuine popular support.

They are starting from zero, just as the Burmese people, 80 per cent of whom live in the countryside, have started a *revolution* with democracy as the goal, but little knowledge of how it operates or what it entails. The students and Buddhist monks who led the massive street demonstrations reveal enthusiasm and naivety in almost equal measure.

The more radical respond to questions about their objectives with demands for information on where to acquire guns, although they have no weapons *training. Thousands of stu*dents have fled to border areas where they have received a less than enthusiastic welcome from ethnic groups fighting for autonomy from Rangoon which are themselves short of weapons, ammunition and sometimes food.

It may be a situation which, unbelievable though it may appear to non-Burmese, the military regime thinks it can exploit in order to keep its grip on power. The Burma Socialist Programme Party has given birth to the National Unity Party, which, if there are to be elections of any sort, would be by far the best-funded and organised. A combination of media control, military intimidation and public ignorance might be enough for a victory to be declared with the opposition parties possibly damned if they do compete and damned if they do not.

The army itself has maintained its unity due to remarkable personal loyalty to Ne Win among the senior ranks, together with additional food supplies, extra pay and ceaseless propaganda for the men who shoot demonstrators.

But what the regime cannot do is prop up the economy beyond the next few months. Burma is far more resil*ient than official figures indicate* because the public have over the years created their own secondary economy, but even so, many millions of dollars are immediately required merely to make good the damage caused to factories, oil refineries and other facilities by looters and saboteurs.

In the wake of the latest killings, the industrialised world has turned its back on the regime. Japan, whose $250m contribution last year was 80 per cent of the foreign aid total, has told the military that it will only reopen negotiations when a political settlement consistent with the wishes of the Burmese people has been agreed and when economic reforms have been instigated. On that it appears adamant.

By implication, neither condition could be met while Ne Win remains the *de facto* ruler of Burma. The latest batch of rumours has him about to leave for Austria where he is due for annual medical treatment, or alternatively seeking to negotiate a deal with U Nu which would guarantee his safety in the country while undermining the rest of the opposition parties.

If a swift, clean break could be effected now, *his* successors would face a mammoth task in rebuilding a country which is half a century behind parts of Asia, where the state machinery has virtually collapsed and in which corruption among officials has become a way of life. But the longer he delays accepting the inevitable, the more public anger and frustration will build, spilling over into the acts of savagery witnessed last month when four military intelligence agents were trapped by the crowds and beheaded. It was as shocking as it was uncharacteristic of a people who, for all their deprivations, have endured with a smiling fortitude the past quarter of a century.

Calm comes to Chile

■ Chile has not gone out of the headlines merely because the visiting foreign journalists are packing their bags and leaving. It seems that a genuine calm has fallen on the place after last week's riotous *demonstrations* celebrating the defeat of General Pinochet. Santiago's central business and government area has returned to its normal bustle and water cannon trucks and gas canister launchers have been stowed away. Even the stock market has started to go up again, following a sharp drop in the most actively traded shares last week.

The serenity is contrary to widely-held expectations immediately after the plebiscite that massive public demonstrations would continue to press for the General's resignation and departure from the country. A popular chant a few days ago called for Pinochet to go to Paraguay.

The return to normality may be attributed to the general Chilean wish not to repeat the experience of social chaos associated with the Allende years: a wish that is shared by opposition leaders.

Now that the public has expressed its desire to return to full democracy, the debate on how it is to be accomplished appears to be being left to the civilian politicians and the governing military. Personal political ambitions will undoubtedly come to the fore, as they have not been able to since the coup in 1973. Yet for the moment the opposition is being cautious. It does not want its hand to be forced by the Communist Party and more extreme elements on the left. Consequently it has not yet made any calls *for public pressure* such as a general strike. That may be very clever: Pinochet still has a chance to listen. On the other hand, he must know that the crowds could be pulled out again, if he does not.

OBSERVER

Not Warburg

■ The British Government's flamboyant attempt at displaying its European credentials, the creation of Treasury Bills denominated in European Currency Units, got off to a flying start yesterday. Bids amounting to Ecu3.4bn were lodged for the Ecu900m one to six month bills on offer.

Unlike auctions of gilt-edged securities, where the Bank of England will take bids over the telephone, all bids had to be presented in person on the proper application form. At least one major London securities house, however, was seen parked outside the Bank with an employee taking last minute bids over a portable telephone. He filled in the application forms and ran into the Bank to lodge them.

Unsighted

■ Lord Carrington, whose memoirs are published this week, was High Commissioner in Australia when England were not doing very well at cricket. After a particularly bad day, Brian Johnston, the commentator, criticised an umpire's decision at a very formal dinner. The umpire, he said, "can't have played cricket in his life." Another guest then lost his temper. "Hasn't played cricket?" he shouted. "He played for South Australia! He played in several Tests! He'd be playing still, if his eyesight hadn't failed!" The speaker was Sir Donald Bradman.

Chicago guru

■ Leo Melamed, sometimes known as the founding father of the financial futures market, is again congratulating himself on his prescience. Last week he wrote to the Soviet Ambassador in Washington urging the Soviet Union to allow foreign currency trading and move towards a convertible rouble. Melamed is still the guiding light behind the Chicago Mercantile Exchange and he offered the CME's assistance in establishing a market-determined exchange rate policy. The Politburo then announced that a convertible rouble was on the way.

There was a similar coincidence in 1972. Melamed toured European central banks seeking to rally support for the CME's nascent foreign currency futures. At the Bank of England, he recalls, the Governor was polite but firm, stressing that Britain could not participate because of sterling's fixed rate.

As he was leaving, the Governor asked if there was anything else he could do for him. "You could float the pound," Melamed said. The pound was floated a few hours later, but not because of Melamed.

"I'll look into it, Madame, but I'm sure your account is not being used to launder Colombian drug money."

Tories unite

■ The postcards from Brighton have been pretty thin on the ground so far; so have the jokes. The main news appears to be that the Tories have decided, once again, not to carry their internal quarrels too far. Some tension was expected when Lord Young, the Secretary of State for Trade and Industry, was preparing to speak in the industry debate. Norman Tebbit, one of his predecessors and not always one of his friends, arrived *on the platform 20 min*utes before, guiding his wife, Margaret, in her wheelchair. It was a brave return to Brighton for a woman who was almost incapacitated there four years ago and there was great applause.

Young responded graciously in his speech, full of praise for Tebbit and, in a reference to the former chairman's book, said that everyone in the Cabinet was upwardly mobile now.

In the same debate a man called Michael Fabricant from South Shields said that he had recently visited the Soviet Union and found everyone very jealous of Margaret Thatcher. They thought her Cabinet was just like the Politburo; all the decisions were unanimous. That was the joke.

The point about the security is that it looks much more severe from the outside – as shown on television – than from the inside. Once you are in the complex you tend to stay there: no popping out any more for a walk on the pier.

Nice girl

■ Advertisement in an Essex newspaper: "Active person required to help on small-holding. Live in, own sitting-room and TV. Suit townsman who would enjoy country life or farmer's daughter."

James Buxton asks whether Scotland is enjoying a boom or simply a recovery

Not taking the high road yet

ON the north bank of the Clyde in Glasgow two Victorian buildings, a pumping station and a red brick rotunda, stand in former dockland, their original uses long since abandoned. At the end of last year the rotunda reopened with French and Italian restaurants and wine bars, and later a complex of three classy restaurants opened up in the pumping station.

You don't have to go inside any of them to see that they are doing well. You need only look at the Jaguars and the executive Fords and Saabs in the car parks at lunchtime to realise that Glasgow business people are coming to this once derelict location in droves.

This little display of yuppification is one of the more encouraging things that are happening in the Scottish economy. In Glasgow a decade of schemes to revive the city are bearing fruit in ways which have the men who launched them rubbing their eyes in delighted surprise.

The recently-ended Garden Festival is reckoned to have paid for itself many times over in improvement to the city's image. BP, which promised to move between 50 and 75 senior executives to Glasgow when it took over Britoil in February, is voluntarily transferring 400 to 500 top staff to the city.

In other parts of Scotland, too, there are signs of revival as an economy based more on services and on medium-sized manufacturing emerges from the ruins of one that was excessively biased towards heavy industry. But, just as Glasgow still has appalling housing estate townships and an unemployment rate of almost 19 per cent, so what is happening in the rest of Scotland adds up to much less than the "economic miracle" that Mrs Margaret Thatcher called it earlier this year.

"The Scottish economy is having a recovery, not a boom," says Dr Jim Walker, an economist at the Royal Bank of Scotland. "There is no sign of the overheating that is affecting the South-East of England - the roads are not intolerably congested and there has been no roaring house price boom, except in a few market sectors. There are labour shortages despite the 11.2 per cent seasonally adjusted unemployment rate (the third worst in Britain), because too many people are untrained and the skills of the many long-term unemployment have atrophied.

Whereas unemployment in the rest of Britain began to fall consistently from the middle of 1986, in Scotland the fall started a year later and has been slightly slower. The year 1986, good for the rest of the UK, was bad for Scotland as the collapse of oil prices caused a loss of confidence, job shedding and industrial closures in the oil supply industry.

Furthermore the domestic consumer boom which Britain has been enjoying was not what the Scottish economy needed most: its manufacturers are biased towards investment goods (such as Weir Group pumps and IBM personal computers) and are oriented to exports. It was not until the middle of 1987 that business surveys began to record high levels of confidence.

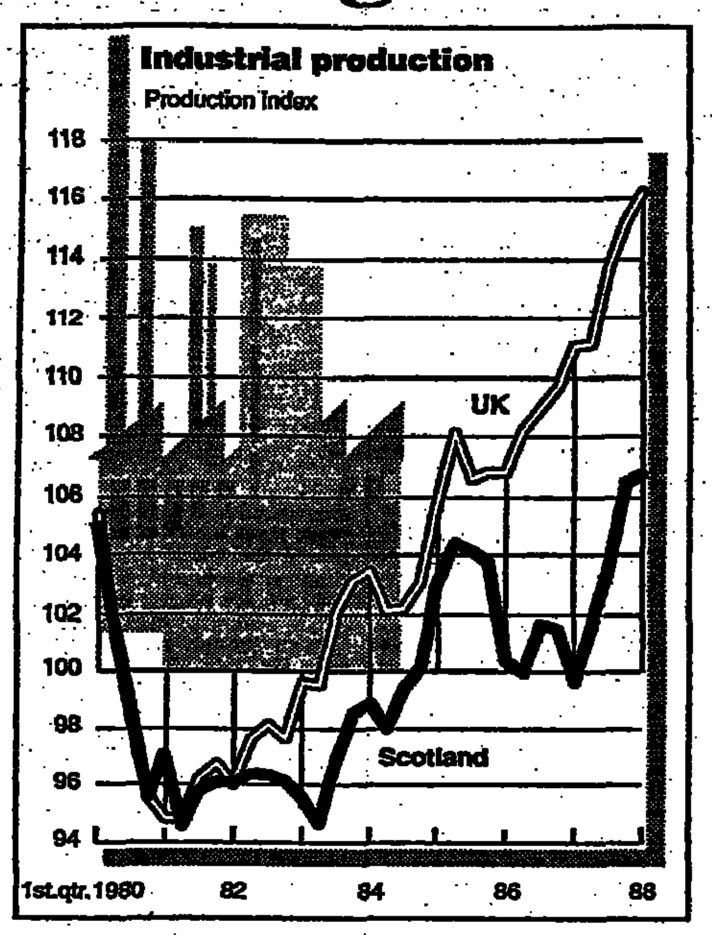
Lately demand from the Scottish economy itself has risen to match that coming from the rest of Britain and from exports. Furthermore this year there are signs of a remarkable upturn in offshore oil development activity, confounding the experts who believed that there would be no recovery until crude oil prices got back to $20 per barrel (they are currently at about $12).

The industrial sectors that have done well are engineering, food and, until a recent downturn caused by poor exports, textiles. Electronics - concentrated in defence and in largely foreign-owned data processing equipment and chip manufacture - has done little more than climb out of its 1985 recession. Construction is flourishing in some areas, particularly Glasgow, and there has been a healthy increase in retailing and financial services.

Mr Grant Baird at the Royal Bank believes Scotland may be growing as fast as the rest of the UK economy.

But now uncertain noises are emerging from industry, though they have yet to be confirmed by surveys. The effects of the recent sharp increases in interest rates are being added to those of the strong pound which has been hitting exporters for months.

"The pace here was always slower than the rest of the British economy and the combination of interest rates and the strength of sterling may mean us seeing an erosion of confidence and a slowing down of investment intentions, though we're not detecting it yet," says Mr Ken Smith, assistant director of CBI Scotland.



In remarks that would be probably be echoed in other regions of Britain he points out that there has already been a "shake-out of order books in the export sector. Margins are being squeezed and in some sectors companies are coming out of export markets altogether." Scottish farmers are angry about interest rates after a harvest blighted by a fierce storm in late July. It would be sad if the cup of recovery were dashed from Scotland's lips so soon after the Scots started to drink from it.

Since the make-up of the Scottish labour force - with only about 20 per cent in manufacturing and 65 per cent in services - is very close to that of the UK as a whole, is there some deep-seated reason why Scotland's economy should so often lag behind that of the rest of Britain?

Last year, in the wake of its general election debacle in Scotland, the Government blamed the Scots' hostile attitude to enterprise. This year the Tory Party time changed and Mrs Thatcher said in Glasgow: "Scotland has rediscovered enterprise. Indeed you could really say it was invented here" - a reference to Scots economist Adam Smith.

The answer seems to be that Scots are intrinsically no less enterprising than other groups in Britain, but that many have been held back by lack of opportunities and are consequently inexperienced. Many worked for large employers and lived in rented housing. The most enterprising went south to England, as they still do, causing the very slow decline in the population which is one of the worrying long-term Scottish trends.

Most of the big industrial employers have gone. The biggest is now the private sector joint venture employing less than 6,000 people at the Rosyth naval dockyard on the Forth. The Government is trying to chisel away at the monolithic housing estates of the Labour-dominated councils, and privatise state industry, council and hospital services. A plethora of practical and financial aids have sprung up to help more businesses to start up and businessmen to perform better. One of the aims of Enterprise Scotland, the proposal recently endorsed by the Prime Minister for a new, single training and business development agency with many local outlets, is to make these services stronger.

The results are hard to quantify. Figures for new VAT registrations for 1980-86 suggest that Scotland had a faster rate of business formation than other northern regions of Britain, though it also had a smaller proportion of total UK VAT registrations than it has of the UK population.

Local authorities still play a crucial role in determining how fast an area develops. Glasgow's success is partly due to a pragmatic alliance between its Labour council and its business community. By contrast Edinburgh may only now be shaking off some of the shackles imposed by a Labour council formerly unsympathetic to service industries.

In Clydebank, west of Glasgow, the Labour council recently voted by a narrow margin to allow construction by an American company of a private hospital catering only for foreigners which should create nearly 2,000 direct and a further 2,000 indirect jobs in a high unemployment area.

One person closely involved in enterprise development admits: "It's a slow process: it's better than it was but there's an awful long way to go."

Is the root of the problem Scotland's peripheral location, on the fringes of a highly centralised Britain? There is little doubt that far more could be done by a government generally unsympathetic to regional aid to improve Scotland's transport links with the south - by connecting it to the British motorway network, for example, in both east and west. But the positive thinkers, looking to outlying but prosperous parts of, for example, Italy or Spain, take a more robust view: the first thing is to generate a vibrant economy, then more people and businesses would stay in Scotland. Here and there are signs that this is happening.

Agricultural trade policy

Why it's time to end the hand-wringing

By Clayton Yeutter and Richard Lyng

Unsound agricultural trade policies affect everyone: rich nations and poor nations, exporters and importers, farmers, consumers and taxpayers.

Farmers are driven off the land, food is produced in the wrong quantities in the wrong places, consumers eat less well than they should, and taxpayers pick up the tab for all the distortions. Developed nations face budget crises, while developing countries simply cannot compete with the national treasuries of the big boys.

This appalling situation has been created by governments, and governments must solve it. All major trading nations share in the blame, and all must share in the solution.

The proper forum for trying to put an end to this madness is the Uruguay Round of the General Agreement on Tariffs and Trade (Gatt). Everyone agreed to an attempt at worldwide agricultural reform when we launched the Uruguay Round in Punta del Este in 1986. But we are still in a fierce debate over how far and how fast reform will take place - a question that must be addressed when the Gatt trade ministers meet in Montreal this December.

This contentious problem is rooted in the attempt by nations to provide their own farmers with advantages over their competitors. The latter have naturally responded in kind, putting the world into an escalating spiral of government involvement - at great cost to taxpayers, consumers, or both, and often with little or no long-term benefit to farmers.

In many countries, import restrictions and price supports keep internal agricultural prices high, thereby stimulating over-production. When surpluses occur, export subsidies are used to unload them on the world market, thus undercutting the ability of farmers in other nations to make a living. Any country that fails to join the folly loses market share.

Almost every government maintains distortive agriculture programmes of one kind or another. Our European colleagues have said repeatedly that there are no angels in agriculture trade. We agree. The question is how do we get closer to heaven?

Some of us have tried periodically to move toward reform on our own, only to see our market share deteriorate. The United States, for example, has taken nearly 30m hectares of land out of production in recent years and we have also reduced target prices. The EC has adopted a "conservation reserve" of its own, though on a much smaller scale of about 1m hectares. The Community's 1988 budget disciplines are also a step in the right direction. Though the disciplines are modest, they none the less constitute a substantial political achievement. The Community has at least slowed the trend toward ever-larger government involvement in European agriculture.

These have been difficult steps for both the EC and the United States. The reason they are so difficult is that political leaders understandably hesitate to forgo a perceived economic advantage unless others are prepared to do the same. Unilateral disarmament is no more attractive commercially than it is militarily. That is why we must attack agricultural distortions multilaterally. We must find solutions that all can embrace - solutions that give no one an unfair advantage over his competitors.

Should we be motivated to find such solutions? We certainly should. A recent study by the Centre for International Economics in Canberra shows that there are immense benefits to be had by all if we can solve this global problem. According to that study, agricultural liberalisation would create 3m additional jobs throughout the European Community, provide a 2.5 per cent increase in the average real wage per Japanese worker, provide a $36bn annual increase in real income for developing countries, and reduce the US budget deficit by $37bn. Isn't that worth doing?

Because all of us suffer from this present day chaos, because government involvement is the primary culprit, and because reform must come multilaterally, the United States believes that the Uruguay Round of trade negotiations is the logical place to develop solutions, and that the fundamental objective should be to convince all nations to eliminate their trade-distorting policies as quickly as possible. We have suggested doing so by the year 2000.

Our proposal has been called unrealistic by those who believe governments cannot or should not get completely out of agriculture. But the critics, either deliberately or inadvertently, have not paid attention to what we have said. The United States has never suggested that governments get completely out of agriculture. We simply want governments to stop distorting trade. And to stop stimulating excess production which no one wants to buy.

Is it unreasonable to try to do that by the year 2000? We believe not. The economic case for reform can hardly be more compelling; the resistance is political. One can only hope that taxpayers and consumers will indignantly ask their political leaders why it is they wish to continue to distort the marketplace into the next century? Why is it that they cannot exert the political leadership to get this problem solved in the next decade? What is the case for procrastination? And how can one possibly defend the present state of affairs to the developing countries of the world, who suffer the most from these distortions?

The United States is irrevocably committed to multilateral negotiation in agriculture. We have a bold proposal - one sound in concept and in principle - on the negotiating table. Now is the time to negotiate, not just wring hands.

It is important to generate additional momentum for this exercise at the Uruguay Round mid-term review in Montreal in December. What the world needs now is commitment and action at the negotiating table. If that is attainable, we can achieve a dramatic breakthrough in agricultural trade policies worldwide. That is what political leadership is all about.

Mr Yeutter is US Trade Representative and Mr Lyng US Agriculture Secretary

LETTERS

'Political suicide' may be a premature judgment

From Mr Robert C.B. Mackenzie.

Sir, Cries of "political suicide" may be premature for General Pinochet.

Robert Graham ("Recovering a lost democracy," October 7) rightly suggests that a *pinochetista* candidate would have an "infinitely better chance of winning." In other words, such a candidate will be preparing for the elections in December 1989 with at least 43 per cent of the vote, against a series of candidates as yet unknown and certainly inexperienced (at least for the last 18 years).

These candidates will represent a rainbow of political convictions, including the Christian Democrats and various groupings of the left. They may have agreed on the "no" vote but Christian Democrats will find little in common with the largest communist party in Latin America and the far left, when they try to form the basis of a coalition.

Having successfully restored the democratic process, the "no" voters, with a year to think, may wish to avoid the mistakes of their neighbours, Argentina, Peru and Bolivia: treble figure inflation, increasing reluctance from creditors to refinance arrears and rapid deterioration in real incomes for the vast majority of the people. Even the relatively mighty Brazilian economy has floundered since it was handed over to the civilians.

Those who voted "yes" for another eight years of Gen Pinochet last week, will, in December 1989, probably support the party which offers economic stability and continuing social reform, including a decent pension at retirement.

Whatever candidate offers such a package will have difficulty convincing the most sophisticated electorate in Latin America that he is not a *pinochetista*. Perhaps he will not try.

Robert C.B. Mackenzie,
Clock House,
Warren Road,
Crowborough, East Sussex

Halting the patent-busters

From Mr J.D. Chapman.

Sir, Your article on generic pharmaceuticals ("Copied medications prove a bitter pill to swallow," September 30) did not mention one important aspect.

Whilst in the UK generic manufacturers play by the rules, the same cannot be said for other countries, both inside and outside the EC. In these areas patent protection is largely meaningless and manufacturers have little respect for the licence of right system.

This enables companies to manufacture patented pharmaceuticals for consumption in non-observing territories well in advance of the patent running out. They are then well placed to enter the UK market with a generic immediately the product comes off-patent. This places all UK manufacturers, whether research-based or not, at a significant disadvantage.

The pressure being exerted by research-based groups in this country to squeeze out generic manufacturers will not halt the overseas patent-busters, it will merely give the UK an even greater disadvantage. For the benefit of the British economy, both research groups and generic manufacturers would do better to develop a common strategy for addressing this very real problem.

J.D. Chapman,
Witton Chemical Co Ltd,
Chiswick Avenue,
Mildenhall,
Bury St Edmunds, Suffolk

Some engineers are at the top

From Mr Denis Filer.

Sir, Michael Dixon asks "Lord, how long?" of the sufferings of engineers ("Latest indicators of main executive perks", October 5).

I cannot argue with the fact that chief engineers are bottom of the list compiled by the P-E Inbucon consultancy. There is also a 1988 salary survey produced by Remuneration Economics and The Engineering Council, showing that rises for engineers are still below those for other professions.

There is, however, an important aspect which Michael Dixon has ignored. Many engineers figure in categories throughout the P-E Inbucon scale, not just in R&D, sales, marketing and production, but also at the very top among general managers and managing directors.

For example, in a survey of the top 250 companies in The Times 1,000 list for 1987-88, 10 per cent of chairmen and chief executives were chartered engineers, and many others are known to be from an engineering background.

I am not complacent about earnings for engineers. But the public should not believe that engineers prop up other high-grade staff in league tables of pay and perks just because such lists equate engineering with one job title.

Denis Filer,
Director General,
The Engineering Council,
10 Maltravers Street, WC2

Royal Opera House development: opening the floodgate to abuse

From Mr James Monahan.

Sir, Colin Amery sees the Covent Garden Community Association's objections to the Royal Opera House (ROH) development plan as irrelevant and perverse ("Planners face landmark issue," October 3). He does not ask why the Community Association took legal action in the first place and he sidesteps the legal implications of the consent to the scheme.

Mr Amery is saddened by our expensive legal dispute. So are we. If the development plan had been examined within the appropriate forum of a public inquiry, the Community Association would not have needed to go to law. The controversial nature of the plan justifies, *par excellence*, this form of public scrutiny.

There are two bodies which could instigate a public inquiry - the Government and Westminster City Council. They both have vested interests in not doing so.

The Government's policy on public funding (whether for the arts or for health care) is to shift the responsibility from the public purse to the planning system by way of planning gain. Nicholas Ridley sees statutory plans as obstructions that prevent the free market from determining land use. He does not champion the principles of planning and is reluctant to interfere with market forces.

Westminster City Council is equally reluctant to instigate a public inquiry. It is responsible for the inclusion of the car park scheme. This contravenes the local plan and Westminster City Council is disinclined to justify its action in public.

There is a third body that shuns a public inquiry - the Royal Opera House itself. An inquiry would delay the scheme (although litigation can be as time-consuming); would force the ROH to admit that there is no definitive scheme, only one that is still evolving; and would prevent the directors from continually changing their financial prognostications. It is also alien to the character of the ROH, which thrives on the support of a private, well-connected coterie and is not naturally sympathetic to the idea of public accountability and scrutiny.

Mr Amery misunderstands the central issue of our legal challenge. We do not deny that financial considerations are often material when judging planning applications. We query whether they should be the major consideration and should overrule statutory plans. We are supported in this by the Town and Country Planning Association and the Countryside Commission. If financial expediency is elevated to this pre-eminent position, then the floodgate is opened to abuse of the planning system.

Lord Jenkins ("Plans that fall sadly short of glory," September 28) expresses basic principles and facts. One fact, conveniently and consistently forgotten, needs repeating. The nation did not spend £3m buying land for the Opera House so that its directors could build offices and a car park. The land was given to the ROH for cultural purposes.

James Monahan,
Covent Garden Community Association,
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FINANCIAL TIMES
Wednesday October 12 1988

Sikh gunmen bring death to a rural town

David Housego examines the effects of terrorist attacks in the heart of the Punjab

ANY NEWCOMER to India is instantly struck by the numbing regularity with which newspapers report on their front pages the daily death toll in the Punjab. In the dusty, market town of Sirhind in the heart of the Punjab, 18 people were killed recently by Sikh extremists in one of the worst terrorist incidents of the past few weeks.

Five youths, all in their mid-20s and carrying AK-47s, opened fire in a narrow, crowded street in which small shops and pavement stalls are huddled close together. They then parted ways, escaping down side lanes and firing as they went. A further 20 people were injured in an incident which lasted 10 to 15 minutes.

Mr Chaman Lal, owner of a sweet and pastry shop, can point to the traces of bullet marks that have left benches, walls and cupboards scarred. He lost one son and had another injured. The injured boy now says he wants to leave Sirhind.

In a lane nearby, a father was killed after going to the door when the shooting began to see whether his children had returned. A blooded hand-print still stains the wall. Members of the family had come from nearby towns for mourning ceremonies.

Terror came unexpectedly. Sirhind is in the agriculturally rich district of Patiala which has seen few terrorist clashes this summer. You get there down roads flanked by maize, rice and sugar-cane fields – a scene of rural peace and prosperity marred only by the visible damage that the recent floods have done to the rice crop.

At least 15 people were killed, including Mr Bhagwan Das, vice-president of the Punjab Congress I party, his bodyguard and two policemen, in an upsurge of terrorist violence in the Punjab yesterday, the Press Trust of India reported, Reuter writes. More than 2,000 people have died over the past year in a violent campaign by militants fighting for an independent Sikh homeland they call Khalistan or the Land of the Pure.

In sharp contrast to the image from the daily headlines of a province torn by violence, what strikes you first in the Punjab is the absence of fear as people make their daily rounds. Violence creeps up unannounced – as it did two days ago to a Hindu trader in Ludhiana who was shot by terrorists after failing to produce the Rs160,000 ($11,115) demanded of him, or as it did in Sirhind.

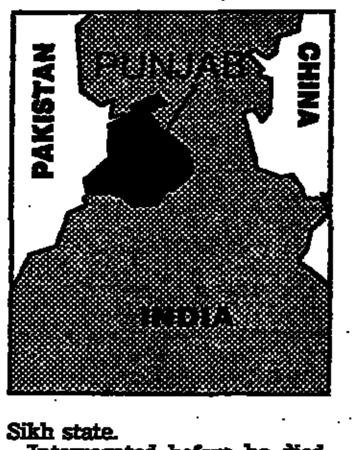
In Sirhind the terrorists chose the place and the moment carefully. They arrived on scooters and on foot at 7.30pm just as shops were closing and the street was filled with people returning home. A ceremony had just finished in a nearby temple. A police patrol had passed a half an hour before.

The shops are run by Hindu traders and most of those returning home were also Hindus. Only two or three Sikhs were killed in the crossfire. It was thus a cold-blooded attack, carried out in a Hindu-dominated area at one of the busiest times of day and when the absence of violence over previous months had lulled people into a sense of security.

The death toll ensured that the incident had maximum publicity in the national press. Of the five terrorists who took part, two wore turbans and the rest were clean shaven. As usual, they did not bother to wear masks because they were confident that no witnesses would come forward to identify them.

The shopkeepers and other bystanders I spoke to said they had turned their backs or run away to avoid the firing. Accounts of the incident were conflicting – with some maintaining that at least one of the terrorists had been in police uniform.

Local police officers deny this. Their first clue to the identity of the killers was the note left on an abandoned scooter which claimed responsibility for the attack in the name of the Khalistan Commando Force – a well-known Sikh terrorist groups committed to setting up a separate Sikh state.



Interrogated before he died, another KCF member, the police say, gave them the names of the five. The police claim they are all well-known terrorists with a price on their heads of between Rs30,000 ($2,100) and Rs50,000. Two have since been killed including Surender Singh "Chhinda", said to have been involved in several killings.

The terrorists almost never come to trial so it is impossible to know whether or not such claims are true. Some close to the police say that 70 per cent of those shot by the police have been interrogated first. This may be an exaggeration but policy is certainly for the police to depend on their own methods rather than to rely on the judiciary.

In the overall battle in the Punjab against Sikh terrorism, the police claim to be slowly getting the upper hand. "Our reports are that they (the terrorists) are feeling the pressure," says Mr K. P. S. Gill, Director-General of Police. He bases that claim on a sharp increase in the number of terrorists killed – more than 500 in the past 18 months as against 118 in the year and a half before that.

A large proportion of terrorist killings take place in the districts bordering Pakistan, including Amritsar and Gurdaswar, which have a long history of violence, smuggling and unemployment. This means that other parts of the state are relatively peaceful – although vulnerable to unexpected terrorist strikes as was Sirhind.

In Sirhind, the townsfolk have been left stunned by the killings. Paradoxically none of those I spoke blamed the Sikhs. Some, however, blamed the police – indicating the long haul the police and Government have yet to make to swing public opinion

The police realise that a solution to the Punjab's problems will not come from killing or capturing terrorists alone. That is why many of them are anxious for a resumption of political life in the state – which Mr Rajiv Gandhi, the Prime Minister, hesitantly initiated a couple of weeks ago with his first visit to the Punjab in three years.

Opposition parties "national alternative," Page 4

Gorbachev likely to meet Deng in Peking

By Peter Ellingsen in Peking

THE FIRST Sino-Soviet summit for 30 years seems certain to take place between President Mikhail Gorbachev and Deng Xiaoping in Peking next April or May.

Diplomats and observers in Peking and Moscow say that the meeting so long sought by Mr Gorbachev appears finally to have been agreed in principle by the Chinese. It will result in much closer diplomatic, strategic and commercial links between the two communist powers.

The decision to let Mr Gorbachev have his summit with Deng, the supreme Chinese leader, was apparently taken at a meeting of the Chinese Communist Party's Central Committee late last month.

Zhao Ziyang, the party general secretary, is expected to extend the formal invitation to his Soviet counterpart following the planned visit to Moscow in December of Qian Qichen, the Chinese Foreign Minister.

"It is no longer a question of if (the summit takes place), but when," said a Peking diplomat. Although much work remained to be done, China now supported the idea of a meeting which would be the first since Mr Nikita Khrushchev met Mao Zedong in 1959.

The groundwork was laid two months ago by the respective vice-foreign ministers' meeting in Peking to discuss ways of resolving an impasse over the Soviet-backed occupation of Kampuchea by Vietnam.

Although no public solution to the occupation emerged in the talks, Chinese leaders were impressed with Soviet attempts to encourage an early withdrawal of troops, and subsequently softened their attitude to Moscow in general and Mr Gorbachev in particular.

Indeed, senior Chinese leaders are concerned that despite his apparently successful shake-out last week, Mr Gorbachev may be threatened by conservatives in the Kremlin who oppose his reforms. Chinese sources say the marked change in Peking's posture toward Moscow has been motivated partly by fears for Mr Gorbachev's survival, and a perception that his dumping would be against China's interests.

In an unusual outpouring of support last week, Yang Shangkun, the Chinese President, and Li Peng, the Premier, publicly congratulated Mr Gorbachev on his appointment as President and said they looked forward to improving Sino-Soviet relations.

Speaking in Siberia last month, Mr Gorbachev had repeated his desire for a summit and suggested that China and the US join the Soviet Union in a dialogue designed to guarantee peace and stability in the Asia-Pacific region. Talking about a "zone of joint enterprise" in the Far East, he proposed Sino-Japanese-Soviet economic programmes and backed expanded trade with China.

Given the tense history of Sino-Soviet relations, both the speech and the rapid thaw in relations represents a remarkable shift in policy. Diplomatic antagonism has been accompanied along the Manchurian border by military stand-offs since the Soviet Union withdrew all its technicians from China 30 years ago.

The Sino-Soviet split originated from China's opposition to Mr Khrushchev's policy of detente with the West. Now Peking, like Moscow, has close links to the US and seeks increasingly close ties to Japan, Australia and even South Korea.

Row likely on EC deal with New Zealand

By Tim Dickson in Brussels

A MAJOR trade deal between the European Commission and New Zealand over Wellington's long-standing access to EC markets for its butter and lamb is expected to provoke an angry response from European farm lobbies when it is announced today.

The deal appears to offer valuable new concessions to New Zealand under which the Pacific nation will receive an increase in remuneration which will leave it no worse off.

European farm lobbies had hoped that Brussels would propose even more drastic steps to curtail Wellington's access to the Community's butter and lamb consumers.

The issue has raised sharp sensitivities on both sides of the talks, pitting New Zealand's argument that the Community's whole commitment to trade liberalisation is at stake against growing pressures from the hard-pressed domestic dairy industry that non-EC supplies of butter should be cut back.

The key development appears to have been a meeting in Brussels last week between Mr Mike Moore, New Zealand's Overseas Trade Minister and Mr Frans Andriessen, the EC's Agriculture Commissioner.

The deal, which has been cleared by top EC officials and which will be presented to today's full meeting of the Commission in Strasbourg, appears to offer valuable new concessions to the New Zealanders in return for overall reductions in their lamb and butter imports.

● This year's quota of 74,500 tonnes of butter will be cut to 64,500 tonnes in 1989, 61,340 tonnes in 1990, 58,170 tonnes in 1991 and 55,000 tonnes in 1992. As a result, the quantity of New Zealand butter sold to the British consumer will be slashed by 25% over the next four years.

● But the special import levy which New Zealand producers pay will come down from 25 per cent of the Community's guaranteed intervention price to 15 per cent on 1 January next year.

● The 245,500 tonnes of lamb (frozen and chilled) which New Zealand is allowed to send to the Community under a Voluntary Restraint Agreement negotiated through the General Agreement on Tariffs and Trade (Gatt) will be reduced to 205,000 tonnes. That ceiling, however, is still well above the actual level of imports in recent years, while the limit on Wellington's highly lucrative chilled lamb imports has been set at 6,000 tonnes for 1989.

● A price surveillance mechanism will be put in place but this falls short of a specific import price guarantee.

The Commission's proposal is certain to provoke bitter opposition from France and Ireland, but diplomats in Brussels believe it will be approved by EC farm ministers

Dirty money in clean hands

Continued from Page 1

then be consolidated in a single account and wired to an offshore account. There is then no legal limit under which banks must alert transfers from offshore deposit accounts back to the US.

This system still continues to be widely used by organised crime which employs couriers to deposit cash in banks in Southern Florida, California and the New York area.

The feeling that organised crime was taking advantage of unmonitored cash operations on a massive scale provoked a big clampdown in 1985. As a result several well-known US financial institutions were scrutinised.

Some voluntarily submitted information when pressed. Among those penalised were:

● Bank of Boston, 20th largest bank in the US, was fined $500,000 for failing to report $1.22bn in cash transactions to nine foreign banks. The bank denied any link between the transactions and organised crime but admitted an error of judgment. At the same time a separate case revealed the bank had permitted a "mob" family to run accounts exempt from the rules on reporting cash transactions.

● Crocker National Bank was fined $2.25m for failing to report nearly $4bn worth of transactions between 1980-84. US Treasury officials claimed the large cash transactions appeared to be laundering by heroin traffickers.

● Bank of America was fined $4.7m for failing to report some 17,000 cash deposits and electronic transfers in excess of $10,000.

Bank officials described failure to report these transactions as honest mistakes or administrative oversights. The courts accepted that there was no conspiracy between bank staff and organised crime – at least at a senior level – to launder funds.

These cases led to a considerable tightening up of banking practice in the US and in the past two years no instance has come to light of unreported transactions above $10,000.

Tighter bank scrutiny of accounts has therefore put pressure on traditional laundering methods. Yet at the same time the quantities required to be laundered have increased. This means that money laundering has been forced to follow four paths: to become more sophisticated; to extend the system of underlying $10,000 deposits (known as "smurfing") but using smaller amounts; to use more offshore centres such as Panama; and to try and find dishonest workers in the banking system.

The US Government has tightened up its own legislation, the most recent example being the 1986 Money Laundering Control Act, which gives new powers of asset seizure/forfeiture. In the past four years, international co-operation and awareness has also spread with the UK's 1986 Drug Bill permitting asset seizure and scrutiny of bank accounts. In 1987, the US signed a memorandum of understanding with Switzerland over access to confidential financial information.

Prague Cabinet quits office

Continued from Page 1

While the hardline Czechoslovak stance is believed to be an embarrassment to Mr Mikhail Gorbachev, the Soviet leader, Soviet officials have told their Western counterparts that they have only limited influence over their recalcitrant allies.

First UK auction of Ecu bills

Continued from Page 1

prised other central banks in Europe.

Italy is the only other state to issue Ecu-denominated Treasury bills, but because withholding tax is levied on the paper, foreigners have never shown much interest. Withholding tax is not levied on the Bank of England bills.

Apart from the oversubscription, success was also measured by the extent to which yields on the bills were below those on equivalent maturity bank deposits. The yields were as much as a quarter of a percentage point below the rates which banks are willing to bid for Ecu deposits in London.

This was seen as a sustainable rate in the secondary market.

The Bank was offering Ecu900m of bills and received bids totalling Ecu3.4bn. The Ecu200m of one-month bills were oversubscribed 3.6 times and yielded an average 6.97 per cent.

Lex, Page 24

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	27	81	Dubrovnik	S	23	73	Malta	F	26	79	Rhodes	S	26	79
Algiers	F	23	73	Edinburgh	C	11	52	Manchester	F	16	60	Rio de Jo	C	28	82
Amsterdam	C	10	50	Faro	C	21	70	Manila	C	31	88	Rome	F	26	79
Athens	C	26	79	Florence	F	23	73	Melbourne	F	21	70	Salzburg	F	18	64
Bahrain	F	34	93	Frankfurt	C	15	59	Mexico City	C	23	73	San Francisco	C	17	63
Bangkok	C	31	88	Funchal	S	23	73	Miami	F	28	82	Seoul	F	23	73
Barcelona	F	24	75	Geneva	R	20	68	Milan	R	15	59	Singapore	R	32	90
Beirut	C	27	81	Gibraltar	C	21	70	Montreal	C	13	55	Stockholm	F	08	46
Belfast	F	11	52	Glasgow	F	10	50	Moscow	C	15	59	Strasbourg	R	11	52
Belgrade	S	23	73	Guernsey	R	10	50	Munich	C	12	54	Sydney	S	21	70
Berlin	C	15	59	Helsinki	F	07	45	Nairobi	F	29	84	Taipei	F	31	88
Biarritz	F	16	61	H. Kong	C	29	84	Naples	S	25	77	Tangier	R	21	70
Bombay	S	33	91	Innsbruck	F	21	70	Nassau	C	30	86	Tel Aviv	F	25	77
Bordeaux	R	16	61	Inverness	F	05	41	New Delhi	F	31	88	Tenerife	S	27	81
Brussels	C	16	61	Islamabad	F	31	88	New York	F	19	67	Tokyo	F	23	73
Budapest	F	20	68	Istanbul	F	20	68	Nice	C	21	70	Toronto	R	14	57
B. Aires	R	19	66	Jakarta	C	36	97	Nicosia	C	27	81	Tunis	S	33	91
Cairo	F	29	84	Jersey	R	11	52	Oporto	R	15	59	Valencia	F	24	75
Cape Town	S	20	68	Jo'burg	R	25	77	Oslo	F	09	48	Venice	F	20	68
Caracas	C	26	79	Lima	C	19	66	Paris	C	15	59	Vienna	F	17	63
Casablanca	F	25	77	Lisbon	C	21	70	Peking	S	19	66	Warsaw	S	15	59
Chicago	C	19	67	London	C	13	55	Prague	R	09	48	Washington	S	12	54
Cologne	R	09	48	Los Angeles	F	34	94	Reykjavik	S	05	41	Zurich	C	16	61
Copenhagen	F	14	57	Luxembourg	R	09	48								
Corfu	S	23	73	Madrid	F	17	63								
Dallas	F	19	66	Majorca	F	26	79								
Dublin	C	12	54	Malaga	F	24	75								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Tokyo minister named

Continued from Page 1

director of Nippon Telegraph and Telephone, the telecommunications group, and a former director of the company.

Recruit has a lucrative contract with NTT for handling sales of second-hand telephone equipment. Meanwhile, Mr Hiromasa Ezoe, the former chairman of Recruit who resigned after the scandal broke, yesterday refused to appear before a parliamentary committee investigating the affair.

He pleaded sickness, submitting doctors' reports which said he was suffering from "psychosomatic" problems including a loss of appetite and an inability to sleep.

He said he had been in hospital since July 26. LDP politicians suggested to the opposition that Mr Ezoe might be interviewed briefly in his hospital bed.

But the opposition is unlikely to be fobbed off with anything less than a full-scale investigation.

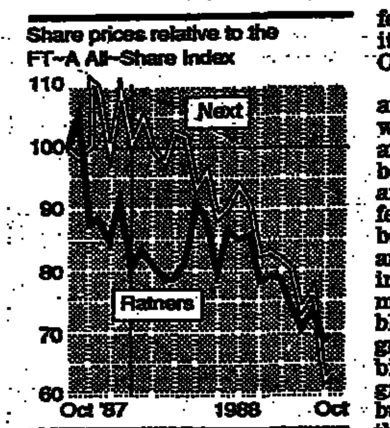
THE LEX COLUMN

The Ecu's clean bill of health

The Bank of England's first Ecu auction was conducted so quietly and naturally yesterday that it is easy to forget what a bold departure the scheme seemed when announced in the summer. The Bank must have been relieved to see the whole almost four times covered, and pleased at the market's orderly behaviour during and after the auction.

Even though all the signs point that way, it is too soon to predict that future auctions will go equally well. The Bank has – somewhat optimistically – chosen even more market makers for a fledgling Ecu bill market than for the entire £135bn gilt market – which almost guaranteed heavy competition for yesterday's modest Ecu900m offering. Moreover, the serious players probably feel that the time to build up a reputation in this new market is now, when the stakes are low, and so are fighting hard for position. While there may have been some of that yesterday, retail demand also appears to have been encouragingly strong. One advantage of having so many market makers is that 29 sales teams have been out whipping up interest in Ecu bills over the past month and seem to have returned with healthy bids from a wide spread of European investors.

The final test will come not from the investors, but from other borrowers. Half the point of the Bank of England's move was to prime the pump for a large market in short term Ecu paper, so yesterday's auction can only be deemed an unqualified success if other central banks are now kicking themselves for not having thought of it first.



Ratners/Next

Ratners may well be on the verge of achieving its ambition of becoming the world's largest and most successful retail jeweller but, not surprisingly, the City is far more concerned about its flourishing stock market paper manufacturing business. Yesterday's rights issue – the third in 18 months – is unlikely to quell the City's fears that Ratners' appetite both for growth and issuing its own paper is unnatural. Indeed, the fact that the money being raised will help repair Next's overstretched balance sheet will only underline the stock market's very real fear that Ratners will itself soon fall foul of the corporate megalomania which has brought down so many of the glamorous retailing stocks of yesteryear.

When a company feels that it is necessary to issue paper on a multiple of a little more than 6 times next year's earnings – to pay for a business which is valued far more highly – and promises that there will be no dilution, then either it has done a brilliant deal, or else it is not playing fair with its shareholders. Obviously, Ratners believes the former to be the case and unlike almost all other fast growing retailers its acquisition track record to date, is hard to fault. There are clear economies of scale, the company is not embarking on an unpredictable diversification move, and while its gearing will increase, it will still be below that of Next. Aside from the possibility that the deal may be blocked by the MMC, the main concern is whether Ratners is wise to be getting more heavily involved in an industry whose recent heady growth rates cannot continue.

By contrast, yesterday's dip in Next's already battered share price was clearly unfair. In its case the move is unquestionably good news, and while it may be intrerpreted as a forced sale, the management has at least recognised its limitations sooner than some of its competitors.

Redfearn/OVS

Practically any investor who owns 29.9 per cent of a company – and wishes that he did not – may want to study the tactics of OVS for easing its discomfort. Everyone who is anyone in the world of glass has already been offered OVS's stake in Redfearn, and turned it down without ceremony. Yesterday's reverse tender offer looks like an attempt to tease out a buyer where none existed before – on the principle, presumably, that the Redfearn board may be able to sell itself more effectively than OVS could.

If the manoeuvre succeeds, and an outside bidder steps forward, OVS dumps its stake for at least 530p a share having bought most of it for 70p less and given the state of Redfearn's businesses, OVS could be forgiven for preferring such an outcome. If no one shows an interest – and with the two most likely UK bidders probably ruled out on monopoly grounds, this must be a possibility – then the Australian group turns from seller to buyer. It bids 530p a share for the rest of the company – at 11 times prospective earnings, exactly what OVS says it is worth and not a penny more.

In this way, OVS is able to test the competition without going to the expense of launching a full bid – but only if it gets its price right the first time around. If no one offers the asking price, it could presumably get trapped into making a bid at a level which is still too low for most shareholders – a costly exercise which could leave it back in the same unenviable position as before.

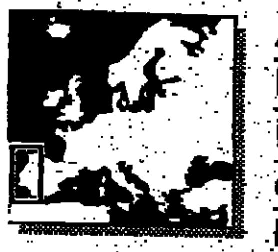
Carless

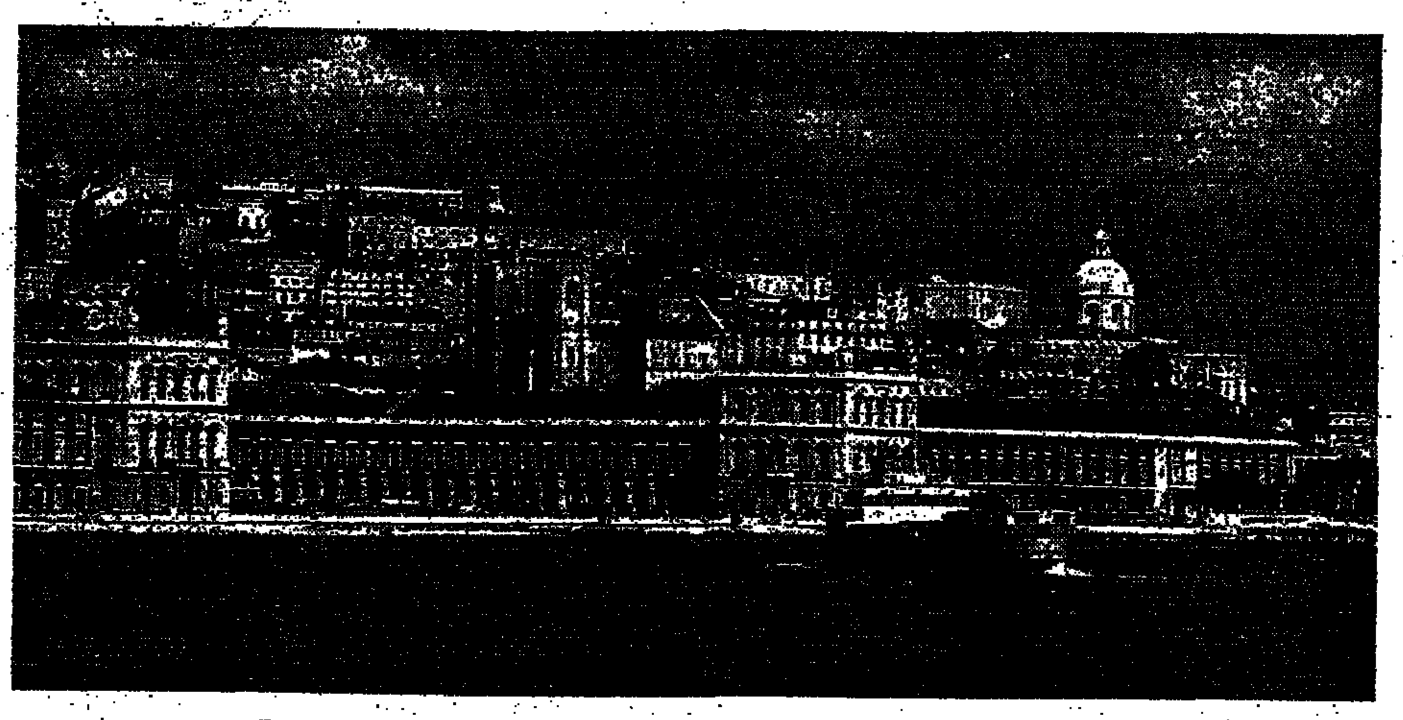
The time is running out for a bidder to get its hands on Carless before it blackens its market image by merging with a coal miner, and Kelt's confusing announcement that it might bid looks more like a last minute spoiling tactic than a well thought out approach. For a start, the two companies' assets make a poor fit: Kelt is not interested in Carless' assorted downstream businesses, and has precious little UK exploration acreage to offset against the tax on Carless' Wytch Farm oil field. Moreover the financial strain of a takeover would be considerable, and for Kelt cheekily to compare the combined balance sheet with that of BP may not altogether reassure its shareholders that its strategy is equally persuasive.

Whether or not a full bid follows, Kelt has succeeded in shortening Carless' chances of getting its merger with Ryan past its shareholders on Friday, and for that LMS must be grateful. Shareholders agnostic about the benefits of the merger may be tempted to vote it down in the hope of a bid for Carless, if not from Kelt, from someone else. However, the marked absence of any more probable predators is not an encouraging sign.

SECTION III

FINANCIAL TIMES SURVEY





Lisbon from the river Tagus: the city is only now getting over a fire which devastated the 19th century Chiado shopping district in August. Above: Rosa Mota the athlete who took the marathon gold in Seoul, last month and showed the world the best of Portugal

Portugal

After years of backwardness, isolation and economic protection Portugal is now on the road towards European integration. **Diana Smith** looks at the country's two years of EC membership and the changes that still have to be made as 1992 approaches

In the steps of Rosa Mota

ROSA MOTA, the tiny Portuguese marathon heroine who fought her way to Olympic gold on the hot and humid streets of Seoul, today stands as symbolic proof to millions of compatriots that even the seemingly impossible can be achieved. All it needs is the application of stamina, unshakeable determination and a willingness to endure pain.

Carlos Lopes performed the same feat in the Los Angeles Olympics four years ago. The two champions have shown the world the best of Portugal.

For Rosa Mota, victory was not just a matter of superb running against strong competition. She fought her way to Seoul in spite of the shabby carping of pompous Portuguese Athletics Federation officials. In spite of the pressure, she was a rare example of grace under stress.

Braving threats from the federation that she would not be sent to Seoul if she did not train their way and register with them, she stuck to a training routine, devised by Jose Pedroso, her friend and trainer, that helped her to win nine of the 13 marathons she has run. She showed her compatriots that the individual who knows his talent, works tirelessly on it with good professional advice and tests it against equally-strong talents, can triumph against stuffy bureaucrats who try to whittle a precious asset down to a size compatible with their limitations.

Portugal is now running its hardest marathon. The course is rough and long. The country is leaving behind generations of backwardness, isolation and economic protectionism. Now it is pounding towards the goal of development, European integration and an enhanced international status.

As it labours towards that goal, a vast learning process is under way. Individuals are discovering new strengths. Officials are learning to accept new limitations, resisting the temptation to force citizens into centrally-planned moulds. The country is rethinking its natural, human and intellectual resources.

In education, priority is at last going to the best possible training of children and adults. Mr Roberto Carneiro, the idealistic Education Minister who was instrumental in unblocking Rosa Mota's road to Seoul, is battling to undo in a few years the mistakes and neglect of centuries.

In agriculture, which still absorbs 20 per cent of the active population, great strides have been made towards more rational distribution of the right crops for the right soil conditions, quality and understanding of fundamental laws of farming.

Portugal has successfully negotiated in Brussels for a well-financed, balanced transition from unproductive outsider to full member of the Common Agricultural Policy. New vitality in the Agriculture Ministry and IFADAP (Agricultural and Fisheries Development Institute), which channel EC funds to deserving farmers, enhanced by the avid response of thousands of small or large farmers, has electrified a once-somnolent sector.

Industry, too, will be assisted in its difficult transition towards EC integration. The young, open-minded team at the Ministry of Industry, Energy and Mining is on the one hand striving to provide intensive care while the ailing state sector is pruned, and on the other trying to meet the needs of a fast growing private sector.

Portugal abounds in small industries. Their chances of survival depend on their capacity to tone up before the earthquake of 1992's single EC market and the tidal wave of competition that will follow and never again recede.

In tourism and the arts, Portugal is learning to speak with many new voices, showing to European partners an undiscovered country from which travellers return with a sense of pleasure at having found secrets that until now the Portuguese had kept diffidently to themselves: their architecture and scenery, their gentle hospitality and good, simple food, their folk and classical musicians, designers, painters and dramatists, cinematographers and poets who may now share ideas and aspirations more freely with European and other counterparts.

A long-needed sponsorship law giving tax relief to patrons of the arts offers unprecedented financial stimulus to creativity neglected for too long. Albeit not as massively financed as education, culture has become a national right and is no longer an elitist's prerogative.

In finance, professional management and innovation have been pushing to the fore since the state began to release its grip on the financial system in 1984 and let private enterprise introduce new banks, companies and ideas.

Business administration schools have appeared and are forming a new breed of skilled managers. The latest is the Institute Superior de Gestao (Higher Institute of Management), partly-funded by private enterprise, which will augment the work of older-established units at the New and the Catholic Universities.

The country's clever and successful young high flyers – and even the not quite so young – have gained a dynamic of their own that has little patience with the creak and shuffle of Portugal's financial bureaucracy, arguably the most restricting residual of a 60-year era during which the Ministry of Finance, huddled in its cavernous premises by the River Tagus, regulated the most trivial aspects of the life of other ministries, Portugal's citizens and the nation as a whole.

Financial centralisation has receded a little since 1928, and since the left-leaning strictures of the 1975 revolution. But the Finance Ministry and Bank of Portugal as institutions still enjoy delaying and controlling powers that raise the hackles of a swelling army of bankers and financial operators who clamour for a marketplace freed of petty rules and subject to sensible, flexible regulation.

Tensions between the Finance Ministry and financial operators simmer endemically and erupt periodically when the Ministry launches a broadside of finicky legislation, superseding equally finicky legislation passed a few months before.

The social dialogue, which the government claims to be a priority, takes regular nosedives when business or finance or labour feels offended by rushed, occasionally-botched economic legislation that is presented as a *fait accompli* in spite of vows of public consultation.

There are latent contradictions in a government that boasts highly-skilled ministers and secretaries of state, but that appears resistant at the core to practising the virtues of consensus and liberalisation that are so assiduously preached. This has dented the popularity of Mr Anibal Cavaco Silva, a figure who epitomises the dilemma. On the one hand he patently wants liberalisation, but on the other he lacks the conviction to accept the rules of the market place that follow logically from the push towards liberalisation.

A Prime Minister who one day says he believes Portugal must liberalise and reduce the weight of the state in order to progress, and on another day says he does not really believe in market forces, confuses his audience just as other self-contradictory Portuguese politicians have done in the past.

When Mr Cavaco Silva and his Social Democrat party won an unprecedented 51 per cent majority in national elections in 1987, he was given a mandate to cut out the political rhetoric and get on with the streamlining.

In many areas the change of rhythm is real and successful. Citizens are beginning to see that their country is functioning less rheumatically – with the stimulus of EC support funds, European Investment Bank loans in unusually lavish portions because of Portugal's development gap, and exuberant promotion of long-needed infrastructure projects by the Minister of Planning and of Transport and Public Works.

With a four-year mandate, Mr Cavaco Silva has time to learn from mistakes and repair rushed fences – like labour, tax and other reforms that were introduced too late, too hastily and without clarity of thought. He has time to learn how to listen and convince himself and professorial colleagues that it is worth paying attention to and respecting non-cronies.

For it is a reluctance to listen – on the economy, labour and health issues – that has triggered unnecessary conflict. "Papa State" in 1988 is not always inclined to respect the intelligence of citizens tired of peremptory decisions.

Meanwhile, Portuguese citizens – like Rosa Mota in her marathon – are learning that with patience, an ability to pace themselves and a capacity for pain, battles with obdurate officials can be won.

Their reward is a new sense of dignity. No longer are they the deferential cogs in a system where once everything was *inho* – a phrase that harks back to the *homenzinho*, the little man in his little house with his little job.

Forthcoming revision of the 1976 Constitution will erase the jargon of state centralisation and anti-private enterprise, permitting without further fear of constitutional restraint, a re-balancing of the economy and citizens' lives. Along with it will go the last alibi for inertia.

In future, marathon runners (whether literal or figurative) will expect clearly-marked routes.

ECONOMY

A mix of three conflicting personalities

THE 1950s film, The Three Faces of Eve, portrayed a woman with three conflicting personalities.

The Portuguese economy suffers from a similar clash: one Eve is sunny and healthy, the second is slightly furtive yet assertive, and the third is lethargic and at times intractable.

The buoyant face of Eve is one of energetic consumption, rising living standards and dynamic growth of investment and production, with massive funds from the EC and a domestic budget for better infrastructures that can move goods and people faster and more efficiently. Thus young people and adults can be educated for a skilled role in their country's life, agriculture and industry boosted, the quality of tourist facilities and of telecommunications raised and Portugal strengthened as never before.

Investment grew by 15 per cent in 1986 and 19 per cent in 1987. It is paying off in 1988's industrial production growth of 6 per cent to June despite a drop in food processing caused by bad weather and more food imports from Spain.

Real wage gains in 1986-1987 kept private consumption brisk, with 9 per cent growth last year – an inflationary factor to be watched, while remembering that Portugal started from far below EC averages. The forecast for 1988 private consumption growth is 5.8 per cent, held back by the double blow since June of high inflation and tough containment of state sector wages (but not of private sector salaries).

Exports in 1987 reached a record $9.11bn, and grew by 11 per cent to June 1988. They are outstripped by imports – $12.5bn in 1987 and likely to grow by 17 per cent in 1988.

But in this import growth is a strong capital goods element reflecting the desire to modernise and mechanise.

In the north, factories are expanding rapidly and adapting to European standards.

Investors from the EC and from the US, South Korea, Thailand and Japan are setting up new plants, forming joint ventures with Portuguese operators or acquiring companies.

After a diffident period Japanese investment picked up when Portugal joined the EC: Settsu, Japan's largest paper board corporation, has just bought 15 per cent of the fast-growing Portuguese paper company Matrena.

People are not just coming to visit as tourists or set up companies – foreigners have bought real estate worth $400m this year, more than ever before in Portugal's history.

In 1988 direct new foreign investment (portfolio investment cooled in the stock market slump, from last year's $700m) may reach $1bn, a figure that exceeds the stock of direct foreign investment from 1926 to 1986.

External accounts, despite a widening trade gap ($2.12bn by June) are still in the black, thanks to capital flows and easier servicing of a lower foreign debt.

Strong currency reserves let the authorities cut the gross foreign debt by almost $2bn since December through early repayment. The Republic of Portugal has thus repaid more than it borrowed for the second year running. At market prices, gold reserves of 625 tonnes plus currency reserves cover the $16.1bn foreign debt: to enhance them the Bank of Portugal recently bought three tonnes of gold.

It makes a change from emergency gold sales in the late 1970s and swaps of gold for emergency Bank for International Settlements financing in the early 1980s.

GDP this year is expected to grow by 4 to 4.2 per cent – compared with 1987's 5 per cent. The authorities seek 3.5 per cent in 1989.

Were this all to the economy, there would be unreserved cause for the self-praise that the Prime Minister and Finance Minister delight in. But there is more.

The second face of Eve is the submerged, small-time, odd job economy that may represent as much as 20 per cent of GDP.

It relies on cheap labour, often female or juvenile, on ingenuity rather than efficiency and tinkering rather than management.

Pre-1974 Portugal was a nation of a handful of big-timers and a vast majority of tiny farms, tiny shops, tiny factories with fewer than 10 hands, doing things on the cheap in blithe disregard for quality control, delivery dates or market rules. What mattered was to do something: whether it was effective, was another matter.

Standards were not too important when colonies could only buy from the motherland. The gales of new competition have blown thousands of little manufacturers into rough water. Clients now demand higher quality and punctual delivery, while education is catching on, reducing the once-huge pool of docile labour prepared to work 12 or 14 hours a day for meagre subsistence wages.

EC membership exacts a high price from those who have not been equipped to handle it: just as the new colossal, cheap and efficient suburban hypermarkets are gobbling up the small traders.

The submerged economy keeps unemployment low at 7 per cent and offsets a disgraceful lack of welfare benefits: it absorbs the less-gifted into some kind of occupation but, while in many respects it is hardworking and self-starting, its inefficiency, introversion and ignorance of the rules of modern business are obstacles to rapid development.

Which brings us to the third face of Eve: the state. Its plans and lethargic passion for regulations, its 500,000 under-occupied, often underskilled employees (30,000 do not even have the minimum schooling now required by law), its 150 nationalised companies and their $9bn losses, its uncompetitive structures shielded by budget and capital endowments.

Papa State has been Portugal's biggest obstacle to progress since it settled colonies in the 16th century and created bureaucrats to teach them how to behave. Eyes firmly turned inward while the world changes around them, Portugal's technocrats and bureaucrats have ever since tried to teach the nation and its investors how to behave.

The public sector, plus central administration and their financing needs which only massive pruning and/or privatisation can restrain, causes deficits. Tax revenue creeps up (not as fast as it could were the system not so inefficient, punitive and an inducement to evasion), current spending is shaved a bit here and tinkered with there, but the state still employs 500,000 people ("to sack state employees would be politically impossible," said the Prime Minister a year ago) and the deficit of the state's flabby persona devours 9 per cent of the (increased) GDP.

The state is in depths of debt which officials who claim "Our economy is rosy" breezily gloss over: the accumulated public debt is 80 per cent of the increased GDP. In sum, the debt has ballooned, not shrunk, in real terms: 80 per cent of $35bn is $28bn, meaning that each citizen's share of the debt is $2,880 – more than a year's wages for the mass of Portugal's low paid workers.

This is nothing to crow about. And it warps the economy, fuels endemic inflation, and militates against private enterprise.

Each year the state borrows more to service the debt it has borrowed to service – and so on. The vicious circle can be slowed but not stopped by funds accruing from privatisation but delays by every government since 1975 in using the surgeon's knife on its creaking red-tape obsessed machine have cost Portugal dearly.

Despite improvement, Portugal still hinges on authorisations, obliging entrepreneurs to postpone important decisions while they wait for a Minister or his department to agree to what in other countries would be handled by autonomous bodies.

EC membership has exposed state lethargy to some electric shock treatment. The Treaty of Rome bans state trading monopolies in which Portugal specialised, and Brussels disapproves of governments taking over huge debts of the state's worst losers (steel, basic chemicals and shipbuilding) – unfair competition, it says.

It is a bit of a trauma for the country's technocrats, used to inventing rules and changing them at will, to be rapped smartly over the knuckles by Brussels.

Another welcome change is abolition of the Foreign Investment Institute, established 1976 to channel, authorise and control foreign investment. Gone – unless Bank of Portugal bureaucrats unmend ways they vow are now open-minded, and revert to the dreaded days of professorial analysis of and comment on every slip of paper that came their way – will be the subjection of would-be foreign investors to lectures by Investment Institute officials on how to run their business.

An urge to control does not die in an instant. While many technocrats recognise the urgent need for less state, they have some trouble keeping their hands off forms in triplicate, the high-falutin' plans (rarely put into practice) and the paraphernalia of petty power in a system that long ran on the assumption that the citizen was intrinsically wrong and the state intrinsically right.

That assumption explains the shadows passing over the sunny face of Eve, and why the body economic steps out briskly with the right leg but limps with the left. Corrective massage has been applied in the last couple of years but not enough for the patient to walk with untroubled ease.

Diana Smith

Balance of payments ($m)

	Apr 86 Mar 87	Apr 87 Mar 88
Current account	1119	636
Merchandise (fob)	-1982	-3508
Services	987	1282
Medium and long term capital	-602	80

INVESTMENT INDICATORS
(Year on year percentage changes)

	1983	1984	1985	1986	1987
*Machinery imports**	-15.4	-14.3	4.6	24.3	36.6
Commercial vehicles sold§	-34.6	-32.0	-2.1	36.1	71.1
Construction sales					
Cement†	-2.1	-12.7	-4.0	2.9	7.8
Steel††	-23.6	-5.3	-10.8	16.5	32.9

Sources: *Direccao-General do Comercio Externo, §Associacao do Comercio Automovel de Portugal, †CIMPOR, ††SIDERURGIA NACIONAL

CONSUMER PRICE INDEX
(1976 = 100)

	1983	1984	1985	1986	1987
Food and beverages	423.5	553.5	651.9	711.4	773.7*
Clothing/footwear	397.8	494.9	610.2	753.3	872.3*
Housing expenditure	417.3	558.3	665.4	736.1	790.4*
Miscellaneous	397.3	495.6	605.9	689.6	751.7*
Total(exc: house rents)	414.6	536.1	639.6	714.3	781.7*

* Annual indices.

EXTERNAL DEBT ($bn)
End of period outstanding amount

	1982 Dec	1983 Dec	1984 Dec	1985 Dec	1986 Dec	1987 Dec	1988 Apr
Non-monetary debt	12.8	13.3	13.9	15.6	15.4	17.6	15.6
Monetary debt	0.71	1.15	1.05	0.86	0.86	0.70	0.46
Total debt	13.5	14.4	14.9	16.6	16.3	18.3	17.1

KEY FACTS AND STATISTICS

Title: The Portuguese Republic.
Population: 10.3m.
Capital: Lisbon; *main cities* - Oporto, Setubal, Coimbra, Aveiro and Braga.
Language: Portuguese.
Labour force: 4.579m
Area: 92,072 sq km.
Head of State: President Mário Soares.
Head of Government: Prime Minister Anibal Cavaco Silva.
Political system: Republic with legislative power vested in the Assembly of the Republic and the Government.
Ruling Party: Social Democratic Party (PSD).
Currency: Portuguese Escudo (Esc), equal to 100 centavos.
Exchange rate: Esc 154 equal to the US$1; Esc 259 to £1, (Sept.1988).
GDP, 1988 forecast increase: 4% to 4.2%; 4.7% in 1987.
GDP per capita: $3,677 in 1987.
Inflation: 10% in August, 1988.
Trade: imports, half year to June, 1988, up 9% to $6.6bn; exports up 12% to $4.5bn.
Industrial production: 6% growth rate in half-year to June, 1988.
Current account balance: forecast for 1988, $50m.
Foreign debt: $16.1bn in June, 1988.
Debt service: as a % of GNP: 11.75%
Gold and currency reserves: $16bn.
Employment sectors: Around 22% of Portugal's labour force is engaged in agriculture, 35% in secondary sectors and manufacturing and 43% in services.
Unemployment rate: 6.6%.

Sources: Caroline Bain, FT Statistics Department; Bank of Portugal and government departments.

CONSTITUTION

Horse trading over essential reforms

THERE CANNOT be many members of the European Community with anything like the following sentence in their constitutions: "All nationalisation measures carried out since 25 April 1974 are irreversible conquest by the working class".

That is Article 83 of the Portuguese Constitution, drawn up after the 1974 revolution that overthrew 48 years of dictatorship and amended once, in 1982, to abolish the dominant role of the military in politics.

But as Portugal approaches 1992 and full accession to the EC, it is painfully clear that the revision did not go nearly far enough. "Frankly, it is embarrassing," says Mr Vitor Constancio, Secretary-General of the Portuguese Socialist Party, the opposition.

Although Portugal has just enjoyed perhaps its quietest political summer since the revolution, the Social Democratic Government of Mr Anibal Cavaco Silva will be getting down to modernising the Constitution and so making it possible to run Portugal like most of its capitalist EC partners.

Without a comprehensive revision, there can be no privatisation beyond 49 per cent of any of the large banks and manufacturers nationalised after 1974, no private television and the country would be saddled with labour laws so generous that they could deter foreign investment.

Not only does Article 58 prohibit lock-outs but Article 80 establishes that, among others, the principles of "democratic intervention of the workers", "democratic planning of the economy" and the "subordination of economic power to democratic political power" will govern the "socio-economic organisation" of the state.

Legally, Portugal should still be implementing five-year economic Plans, according to the Constitution.

The Portuguese Left, a shadow of its powerful self of 1974, is still able, nevertheless, to use the Constitution in the courts and were it not for the willingness of the largely centrist Socialists to connive at changing it, the Government would be without answer.

As it is, Mr Cavaco Silva's first year in office with a majority Government has not been glorious.

The Government bungled badly following the 1987 stock market crash; first by not reacting, then over-reacting. It lifted the trading floor and ceiling on the Lisbon bourse with the result that it remains the only European stock exchange yet to make a credible recovery from last October 19.

Earlier this year the Government suffered another setback when an attempt to change labour laws, to make it easier to dismiss workers, was turned down by the courts on constitutional grounds.

It has also lost its fight against inflation, which is now running at about 10 per cent a year, while wage settlements were negotiated around a target of 6 per cent. Restrictions on interest rates have just been lifted and they will probably rise.

Unfortunately for him, Mr Cavaco Silva needs the Socialists to make the two-thirds majority needed to change the Constitution in Parliament and the two sides have been horse-trading for much of the year.

The problem for the Socialists is that while they are vulnerable to attack for failing to help modernise Portugal, if they fail to reach agreement on changes with the Government, they risk handing the PSD a major political triumph if they do.

The opposition started the talks with three objectives:

- Introduce a West German-style mixture of direct and proportional representation in national elections.
- Reform the constructive motion of censure used to unseat a government.
- "Clarify" the economic system.

The Government turned its nose up at modifying the censure motion - it would have said that parties introducing the motion would first need to demonstrate that they could form an alternative Government.

"They knew we (Socialists) needed the change more than they did," says Mr Constancio, "but of course they pay a price for turning us down."

The price will probably emerge in the way talks on the other two points turn out. Mr Constancio says that though both sides are near agreement, "these things can quickly turn sour". The Government side has already complained that the Socialists are trying to introduce more changes than they are.

Although both sides expect the changes to be agreed and made by the end of the year, it is just possible that the debate could rumble on into next year and perhaps play an important role in the 1989 elections to the European Parliament.

Some party officials, lamenting the virtual absence of any other issues worthy of a national poll, may wish it would.

The core of the argument will be over denationalisation, or privatisation, and the Socialists will have to fight their corner hard, even though their position in the talks is relatively strong. They are trying to insist that companies or institutions due to be privatised be done so publicly and not be off-loaded by the Government on to private buyers. They are also arguing for some (modified) worker protection and want to insist that receipts from privatisation are not used to finance current spending.

There is not, essentially, much that the Government would argue with, but PSD officials concede that "this review will probably be far behind our expectations".

PSD officials say they will probably not be able to privatise as quickly as they would like and that they are unlikely to make much progress in reforming the creaky national health system. "If we had even anything similar to the English system we would be very happy," complained a party spokesman.

The trick has been to do as much talking as possible before Parliament reconvenes on October 15 after which the debate could get messy. The scope for mischief-making is large, not least because the present Constitution carries a clause, No 290, which says that laws revising the constitution shall not detract from (Item F) "the principle of collectivisation of the main means of production and land and of natural resources and the abolition of monopolies and large estates."

There is a complicated way around that but opponents of any change, primarily the Communists, may challenge it and long court delays could play havoc with economic planning as 1992 approaches.

Peter Bruce

THE COUNTRY'S LEADERS

The old rivalries remain

THE PORTLY one works just outside town in a pink palace. The thin one works just behind Parliament in a white townhouse.

Between the two men lie not just the two miles separating their places of work but so many contrasts that under mundane circumstances they might never have met.

Fate made Mario Soares Portugal's first democratically-elected civilian President in 60 years, and Anibal Cavaco Silva Portugal's first democratically-elected leader of a majority government in living memory. Clashes were expected between two strong, dissimilar characters: instead, they live in peaceful coexistence.

The former Socialist leader who renounced party ties in 1986 so as to be non-executive President of all Portuguese, and the present Social Democrat leader who renounced a senior job in the Bank of Portugal to lead a once-fractions now docile party, know Portugal can better prepare for the challenge of the 1992 EC single market if it is not rattled by the squabbles between Presidency and Executive that marred the 10-year presidency of General Ramalho Eanes.

Mr Soares' discretion, not unlike that of a carefully-constitutional monarch, and Mr Cavaco Silva's refusal to yield to urging by hotter Social Democrat heads to try to denigrate the President and prepare the ground for an anti-Soares Presidential candidate in 1991, add a refreshing, dignified note.

Entente cordiale notwithstanding, the two men are unlikely to become cronies and their rivalry is reflected in public opinion polls where 'Uncle Mario', as Portuguese of many milieux call the President, has a strong lead.

How can he lose? If inflation rises or labour laws turn tough, it is not up to Mr Soares to find solutions. He can listen to citizens' grievances while never being seen to touch official policy.

The job suits him Mario Soares, the people-person. When he was Prime Minister in 1976-78 and 1983-85 he was itchy discussing technical issues in Cabinet: he needed to be out listening, arguing and commiserating or joking with as many people as he could cram into a day.

Being President has given Mr Soares licence to do what he loves. His all-embracing ways, taking himself, aides, bag and baggage for weeks on end to provincial capitals to show the people that the highest office in the land keeps its doors open to them, seem to come easily to the much-mellowed bourgeois who once a man of the left who fiercely opposed the right-wing Salazar dictatorship and was jailed and exiled for his pains, then as fiercely opposed the Communist bid for hegemony in the 1974-75 revolution.

The battles are over. Now Mario Soares represents to the Portuguese a vein they like to see in themselves - hospitality, tolerance and coziness.

Anibal Cavaco Silva, Portugal's Prime Minister

Trevor Humphries

Mario Soares, Portugal's President

No one would accuse Anibal Cavaco Silva of coziness.

Tall and taut, he reached his pinnacle not through decades of political battles like Mario Soares - but through a trek from impoverished childhood to success, driven by a belief in his own intelligence.

Mr Cavaco Silva had none of Mario Soares' early cushions. He laboured as a child and adolescent to pay for his education, he improved himself and got into post-graduate study at York University.

Assiduous and in his youth not a political animal, Mr Cavaco Silva achieved a good job at the Bank of Portugal, rising to Planning Director. Studious, quiet-living with his teacher wife and two children, he seemed one of those shy, driven men fated to do a good job but not light any fires. But he developed into a respected economics professor as well as bank official and began to attract the notice of centre-right politicians.

Mr Cavaco Silva was lured out of the Central Bank in 1979 by Francisco Sa Carneiro, a small man with a huge political talent, killed in a plane crash in December 1980 before he could fulfil his dream of leading a prosperous, modern Portugal.

Bent on shaking off Portugal's depression, Sa Carneiro made Anibal Cavaco Silva Finance Minister with a brief to boost the economy.

After Sa Carneiro died Mr Cavaco Silva returned to the Bank of Portugal leaving behind a hot economy and a statement that still echoes: "I am never wrong and rarely have doubts."

Five years later, with the Social Democrats in disarray, the economy again depressed and EC accession imminent, Mr Cavaco Silva again left the Central Bank, won the Social Democrat leadership then the 1985 and 1987 general elections.

Yet an unprecedented parliamentary majority does not seem to have given the comfort that Mario Soares exudes since his Presidential victory.

Having got where he wanted, Mr Cavaco Silva is not as tolerant as might have been expected. If anything, with his comfortable majority he now seems less prepared to concede the other fellow's viewpoint than when he ably negotiated his way through two years of minority government.

Very sensitive to criticism, Mr Cavaco Silva also seems to have difficulty handling people in senior non-government positions whom he has not himself hand-picked: this has led to some tensions and dulled the statesmanly image he seeks to create.

Mario Soares is the rounder facet of the complex Portuguese character, Mr Cavaco Silva seems to represent a harder edge more apparent in the pre-1974 days - difficulty in accepting that other people's ideas or methods are not necessarily invalid because they are not the same as yours.

Mr Cavaco Silva does inspire respect for his wish to set Portugal into a more solid, prominent place in Europe and in the eyes of the world.

But the achievements of a year of majority government have been uneven the practice has not always matched impressive, forward-looking speeches, in spite of a government that is rich in bright young men at junior level .

His critics in the business world wonder if behind the outward-looking politician lurk the suspicion of all things private and and mental blocks deeply-inculcated in bureaucrats of the Salazar era - the notion that the State must not only authorise and if it chooses, reject citizens' proposals but oppressively regulate how everything must be done, like an elderly parent insisting that a child do things the rigid way, depriving it of the chance to discover things for itself.

As the State persists in 1988 in preaching rules to the financial community, the techno-bureaucratic background of Mr Cavaco Silva and many of his Cabinet colleagues is under increasingly-critical scrutiny.

Some people briefly called Mr Cavaco 'Mr Thatcher' when it seemed he might speedily whittle down the overweight State and give private enterprise free rein.

But when the State machine got no smaller, merely a bit more efficient while the lumbering public sector remained a drain on national finances the Mr Thatcher label fell off.

In its place until further notice is 'Papa State' - not meant as flatteringly as 'Uncle Mario'.

Diana Smith

PORTUGAL 4

The north faces a critical situation as free trade dawn of 1992 approaches

Region has outgrown ramshackle infrastructure

THE NORTH, heartland of Portugal's private sector, is working towards Europe's free trade dawn of 1992 with one arm tied behind its back.

Even before the country acceded to the EC, the region had outgrown its ramshackle infrastructure. Today, the situation is critical.

Government analysts for once agree that the problems of communications – both telephonic and transport – are not only the biggest drag on the region's potential to compete, they are also the largest disincentive to incoming foreign investment.

Examples are endless. To drive, for instance, from Oporto to Braga, just 40 kilometres, motorists must allow one hour and an half, while in five days of repeated attempts your correspondent was last month unable to telephone Madrid, despite clear lines through to Brazil.

Such hurdles do not sit comfortably with a region that otherwise is now, after initial doubts, looking to the era of a barrier-free Europe with more optimism than trepidation. Infrastructure apart, Portugal's enterprise-oriented north is convinced that its low labour costs, willing workforce and already export-conscious economy has much to gain from greater access to a market of 320m consumers.

With well-established textiles, clothing, footwear, wines, cork and metalworking industries, the vogue themes now are improving quality and finding "niches" – key gaps in EC manufacturing where economies of scale do not apply and large corporations prefer to sub-contract.

The Portuguese have come to realise that joining the Community does mean a much bigger opportunity to do what they do well: create flexible small and medium-sized businesses able rapidly to exploit any chance available.

Before these goals can be achieved, however, substantial work must be done to build up communications. In fact, elaborate schemes, including road improvements south to Lisbon and east-west from Aveira as well as within the Oporto district, are planned and under way.

Considerable progress has been made on a new international airport and to improve rail services to Lisbon. But despite grants and loans from the World Bank, the European Investment Bank alongside the EC itself, in many cases plans are not matched by funding.

Mr Ludgero Marques, president of the Oporto-based Portuguese Industrial Association (AIP), insists that the capital is still biased against the region. "We make up 50 per cent of gross domestic product, 65 per cent of exports and have a much more dynamic tradition than the south, but we are much weaker on infrastructure," he claims.

"The North has so many needs and resources spent here give much better results – we must have more help."

Funding notwithstanding, however, the region is getting on with the process of adapting to the new, medium-term outlook. Most significantly, the challenge of 1992 has fuelled the development of a handful of diversified holding companies that, it is hoped, will feed not only seed capital into the region, but also joint ventures.

Groups like Sonai, Amorim and Elidio Pinho, while often traditionally based around an original family company, are now diversifying from their core businesses. Giving sound backing to the new private sector banks, these companies are opening at least some of their shares to stock market quotation and looking for partners abroad.

Ms Jacklyn Cahill, the respected US consul for Oporto, believes that these links – Sonai with French hypermarket interests, for example, Amorim with entrepreneurs like Carlo de Benedetti and Robert Maxwell – could form the motor for new growth in the region.

"As little as four years ago, everything was gloom and doom," she says. "Now the atmosphere has changed completely – you can feel the energy."

Shoemakers, the ready-to-wear clothing business and even small metalworking groups have seen orders expand in the last two years and new industries, such as the farming of sea algae, are emerging.

Nevertheless, Ms Cahill admits that scale is a factor that cannot be ignored, though in some cases it works to Portugal's advantage. Local producers, for instance, cannot compete with Spanish pepper production, but when it comes to certain specialist peppers they can fill the niche effectively and profitably.

Early season vegetables and cut flowers are two other sectors where the region's mild climate might enable it to steal a march on rivals if the investment opportunities were there, but land tenure and ownership laws and the lack of expertise and economies of scale are a major hurdle for agriculture. Indeed, there is genuine and justified concern that a totally free EC market will swamp local producers.

Nor is the prospect of really substantial incoming foreign investment likely in the manufacturing sectors. While Dow Chemical and Texas Instruments will maintain and possibly expand their current activities and others, such as Coats Viyella, the UK textiles giant, have also increased their investments, the crucial battle for the region's future lies with local middle-sized and smaller firms, many already quite highly geared.

"A fully integrated company, well capitalised and structured should continue to do well," one local banker observed.

But the crucial labour cost benefit could easily switch across to South-East Asia – it is here that many companies, particularly in textiles, have got to be careful.

Regionally-based officials of the planning ministry are more than aware that the "niche market" philosophy is the key. "We look at the EC not simply as a market, but also as a battle-field between different regions," says Mr Antonio Taveira of the ministry.

"In the Galicia market for textiles, for example, we are battling with Catalonia."

Mr Taveira admits, however, that poor infrastructure is a central problem. "What we have got here is a number of markets separated by traffic jams," he ruefully observes.

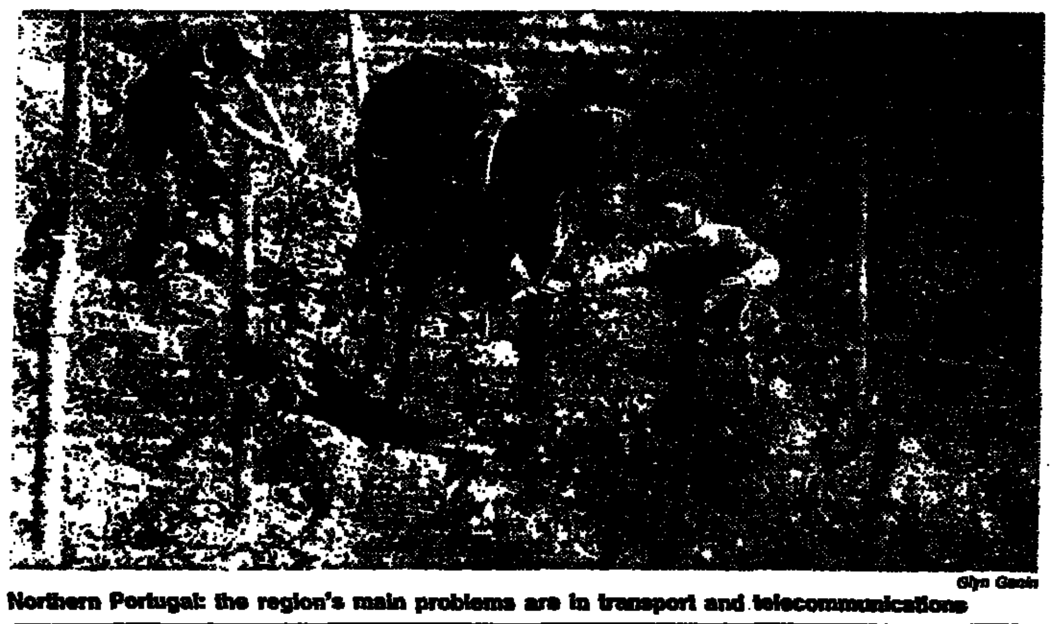
Some 30 per cent of total EC regional funding designated for Portugal, valued at about £2bn, will be assigned to the region, but billions more are needed. In telecommunications also, desperate efforts are needed to overcome two-year-long waiting lists for telephones and four for telex.

But despite these problems, there are encouraging signs in the north. A new business school, part EC funded, is opening in Oporto. The prospect of 1992 is forging new management skills and alliances and new thinking about companies' size and imagination about where new markets lie.

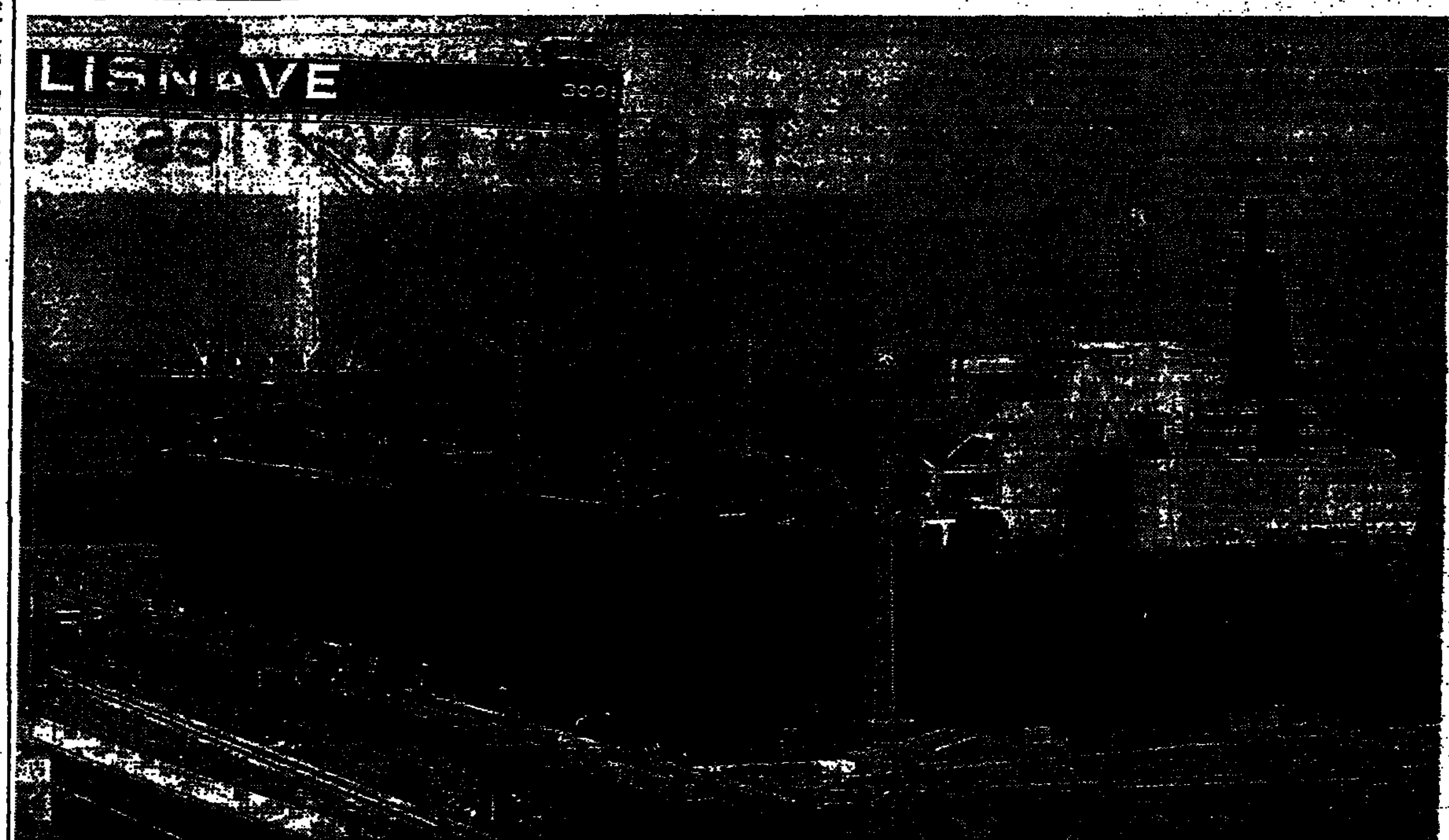
Despite the customary griping about Lisbon, Portugal's northern region is confident that with or without the capital behind it, it can and will come through.

"What we need is quality, versatility and an ability to adapt rapidly to changing circumstances," concludes Mr Marques. "We have always been good at adapting – these are optimistic times."

Ivo Dawnay



Northern Portugal: the region's main problems are in transport and telecommunications



Historically a seafaring nation: this shipyard is just outside Lisbon

PORTUGAL IN THE EUROPEAN TELECOMMUNICATIONS ENVIRONMENT

Portugal's telecommunications have been developed with a view to meeting the actual requirements of Portuguese society.

In as much as our country's economic and social development after World War II lagged well behind the standards reached by most other European countries, the telecommunications market did not generate such demand pressures as would have produced greater development.

Over the last few years, however, stepped up efforts are being made to improve conditions and achieve a significant change, particularly as regards modernizing and expanding the telecommunications system.

There are three producers in this subsector - CTT, providing all the postal and those telegraph and telephone services not obtainable from the other two concerns; TLP, providing Telephone services in the two main cities (Lisbon and Oporto); and CPRM providing intercontinental telegraph and telephone services. Their performance has been quite dynamic and up to a high standard in preparing to meet the challenges lying ahead.

The communications facilities they operate represent a significant proportion of Portugal's tertiary economic sector. Taken as a whole, in 1987 they employed 5.2 thousandths of the Portuguese labour force, they accounted for 32.5 thousand escudos out of each million invested (GFCF) and they generated 70.6 thousand escudos per million of gross added value.

ORGANIZATIONAL STRUCTURE

That the communications subsector is made up of only these three operating concerns is owed to historical reasons. CTT (Correios e Telecomunicaçoes de Portugal) grew out of the old National Mail Service by installing and operating the various voice and cable networks made available by technological advance except for those in the cities of Lisbon (the capital) and Oporto which were built and operated under concession by Anglo Portuguese Telephone Company (APT). Upon termination of the concession agreement, a public company called Telephones de Lisboa e Porto (TLP) was created expressly to take over from APT. As for Companhia Portuguesa Rádio Marconi (CPRM) it is a joint -stock company majority-owned (52%) by the State who operates intercontinental telecommunications under concession.

The capital of the first two concerns, CTT and TLP, is wholly-owned by the State and they are run by a single Board of Directors. They stand well out in the national business ranking:

- CTT is first as to number of workers and gross added value, third as to net worth, fourth as to net assets and fifth as to turnover;
- TLP ranks fifth as to number of workers, sixth as to gross added value and ninth as to net assets

At the present time, a major restructuring of these concerns is in course of implementation. The Policy Program adopted by the government provides for separate mail and telecommunications operators and it is intended, at the same time, to share out the capital of these concerns to private enterprise in proportions to be set by the Government.

Regulating and inspecting functions and, specifically the powers of surveillance over the radio-electric spectrum as well as of approval and certification of equipment, which until now pertained to CTT, will be transferred to a new body being set up, the Instituto das Comunicações de Portugal (Portuguese Communications Institute).

These changes, apart from streamlining the organizational pattern, will meet the guidelines of the "Green Book" - a set of rules for development of a common market in telecommunications services and plant.

COMMON POLICY IN PORTUGUESE TELECOMMUNICATION

Portugal has been a party to the shaping of a common policy for the relevant sector and there has been no significant disagreement with the broad principles adopted by the EEC.
Some reservations will have to be made, however, in view of the country's special position in terms of relative size and rate of development.
The operating concerns also take an active part in community programs for Research and Development with the emphasis on RACE (Research and Development in Advanced Communications Technology for Europe) under which 12 current projects receive Portuguese contributions. Contributions to several of these projects are coordinated by the CTT's Telecommunications Research Centre.

This unit has merited some international recognition for development work on both digital and analogical network systems and auxiliary equipment, including an integrated invoicing system which is being fitted to Electromechanical Exchange Gear (SIFAC) and a system for operation, management and maintenance of analogical and digital networks (OSCAR).

Two operating concerns, CTT and TLP, are the recipients of financial support under the STAR (Special Telecommunications Action for Regional Development) program in the form of a grant amounting to 90 million Ecus for network digitalization and development of advanced telecommunications services.

TELECOMMUNICATIONS NOW AND IN THE FUTURE

Coverage of the country by telecommunications systems is quantitatively much below European medians although the level attained in the more developed areas can be regarded as acceptable.

Specifically with regard to services demanded by the business community, such as telex, present conditions are already in line with European standards and in recent years the public communications network has grown at explosive rates.

Responding to the need for change which has come over the country and this sector in particular the responsible Administrations have set out as strategic goals for the next 3 years:

- To meet the demand quantitatively;
- To improve and modernize existing systems while introducing new services;
- To reduce prices and costs.

A program essential to modernization has already started in the form of network digitalization, now proceeding at an accelerated rate that will allow for the Integrated Digital Network to come into operation in the first half of the 1990's at the same time as in other EEC countries.

Sizeable investments will be required to achieve these goals. A measure of the financial effort required is given by the fact that CTT and TLP together are forecasting investments over the 1988/90 period at some 200 thousand million escudos, corresponding to 1.2% of the expected GDP which compares with 0.9% over the previous three-year period.

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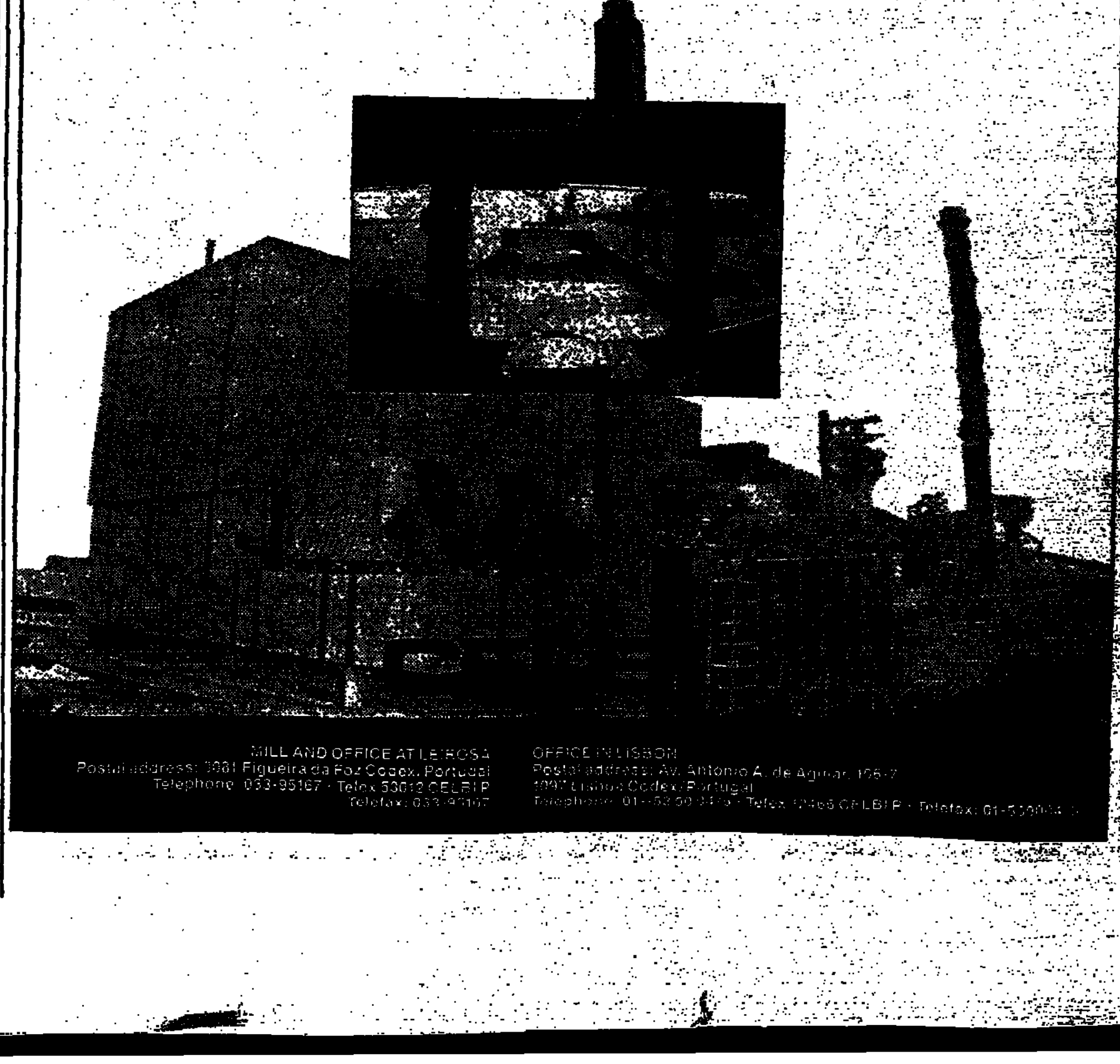

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Joao de Deus Pinheiro: Foreign Minister

Colourful politician with the film-star potential

IF MR Joao de Deus Pinheiro, Portugal's Foreign Minister, were ever in need of a career outside politics and academia he could offer himself with confidence to the film industry. Assuming there is still a need for swashbuckling sailors – buccaneers or naval captains – he would be a shoo-in.

Mr Pinheiro's appearance is striking, to say the least. Perfectly, creaselessly, dressed, his dark, sculpted face is framed by an immaculate black beard and a thick head of shiny, swept-back hair. He smiles a lot too, which only adds lustre to his appearance.

Not surprisingly, Mr Pinheiro is one of the members of Prime Minister Anibal Cavaco Silva's Social Democratic Government who is most in the public eye. His colourful personal life is chronicled in detail in the Portuguese press and he is probably attacked more often than most ministers by the Socialist opposition.

"The jury is still out on Pinheiro," says one western diplomat. "Certainly he's grown quite a bit in office and there is no doubt that he speaks with the authority of the Prime Minister."

Mr Pinheiro is, by profession, a chemical engineer. One of the most successful academics in post-revolutionary Portugal he was made chancellor of the prestigious University of Minho in Braga in 1984 when he was only 37. Of late, though, his reading has become a lot less academic. A new favourite is Tom Clancy of "Hunt for Red October" and "Red Storm Rising" fame. Paul Kennedy's isolationist tract, The Rise and Fall of Great Empires, and Schumpeter's Small is Beautiful are high up on the list, too. Why does he read this stuff?

"To understand American politicians," he says. "I must know what they are thinking and you'll never understand American politics if you don't read what they read."

Being the Foreign Minister of almost anywhere is probably great fun. It is the perfect job for theorising on a grand scale. An agile man, Mr Pinheiro leaps up from his chair to find a piece of paper to put down one particular political theory in in the form of a graph. American political scientists do a lot of this and so, curiously, did Imelda Marcos when she needed to explain her Theory of Happiness to anyone who cared to hear it.

In Mr Pinheiro's more serious case, he is concerned to explain that democracy is no longer a political theory, but an economic factor. Thus he plots (on the back of his business card) the life of a piece of scientific equipment against the time required for the Soviet bloc to acquire it. It made sense in 1970, when equipment still lasted a long time but no longer does because equipment is more sophisticated and being developed quicker but taking longer for the Communists to steal or copy.

So, assuming the Soviet need for advanced scientific equipment is greater than ever, and assuming it is more difficult than ever to get, what can they do? Disarmament is one answer, the minister suggests. Glasnost. "What public opinion in a democratic society would say 'no' to this?" he asks.

In other words, the minister is worried that the West (read the US), by continuing to make it difficult for the Soviets to buy high technology may be impeding the process of perestroika. Equally, he worries that Europeans who worry that the West is not being friendly enough to the Soviet Union may risk alienating the Americans. This is where Alvin Toffler and Tom Clancy come in.

His many critics probably underestimate Mr Pinheiro. He taught in Mozambique from 1970 to 1973 and spent two years doing a PhD at Birmingham University in the UK. In 1979 he was made chief of staff in the Education Ministry and in 1982 became Secretary of State for Education.

After his spell as a Vice-Chancellor Mr Cavaco invited him back to the government as Minister of Education and it was only then that Mr Pinheiro joined the Social Democratic Party. He became Foreign Minister after the election last year returned the PSD to office as the country's first majority Government since the 1974 revolution.

And in spite of his good looks, Mr Pinheiro is not a vain man. "One should never want a post," he says. "I would be prepared to leave here tomorrow." For a start, he would command a much higher salary out of Government.

The job is a tough one, too. Portugal may be too small to make its own way any more among the heavyweights of international diplomacy, but it carries colonial burdens that few Portuguese want to surrender without first putting them to rights. In war-torn Angola and Mozambique, both former colonies, the superpowers are deeply involved and it is largely to the Cavaco Government's credit that Lisbon is gradually finding a way back into Africa.

It has abandoned the role of honest broker in the civil wars there and now deals only with the Marxist governments in both states. Mr Pinheiro has launched a very ambitious "mini-Marshall Plan" as he calls it to help reconstruct the economies of both countries and has been busy soliciting support for the scheme from dozens of countries.

Simply by virtue of being Portuguese (and speaking the language) Lisbon does have a place in Africa and the world. It is up to Mr Pinheiro to define just how big that place is.

Peter Bruce

Joao de Deus Pinheiro: a colourful personal life

FORMER COLONIES

Savimbi shock

MR JONAS SAVIMBI, leader of the rebel Angolan guerrilla group, Unita, has never been a humble man but he has for years managed to disguise the reach of his ego behind the war in the former Portuguese colony. Public opinion is forgiving of strutting, boasting soldiers.

Early last month though, Mr Savimbi made a bitter, sulking and almost childish personal attack on a senior Portuguese Foreign Ministry official, calling him names and accusing Lisbon of clamping down on Unita officials in the Portuguese capital.

The outburst shocked Portugal but it served to bring out into the open the virtual end of Lisbon's long and ultimately useless efforts to play the honest broker between the Marxist MPLA government in Angola and Unita. For the past 18 months or more, Portugal has been signalling strongly that it regards the MPLA as the legitimate authority in Angola and its activities in the country are now centred almost wholly on Luanda.

For much of the decade since the Portuguese left Angola and Mozambique, Lisbon's position had been blurred by the regard in which Mr Mario Soares, the former Socialist Prime Minister and current President, held Mr Savimbi. The ability of the current conservative Social Democratic Government in Lisbon to cut through sentiment and close ranks with the MPLA is reminiscent of the British Conservatives' quick resolution of the war in Rhodesia after years of Labour Party dithering, even though it ushered in a left-wing government there.

Lisbon has had far less difficulty dealing exclusively with the Frelimo Government, also Marxist, in Mozambique. There, a vicious but largely artificial guerilla group, Renamo, established with South African funds and military hardware, is fighting to remove the government but has failed to win legitimacy in even the most conservative countries abroad.

Portugal's "return" to its former large African colonies is nevertheless hampered by the wars and by the fact that it has little to offer financially. Now, though, Mr Joao de Deus Pinheiro, the Foreign Minister, has embarked on an ambitious scheme – he calls it a mini-Marshall Plan – to help restructure the devastated economies in both Angola and Mozambique. If it succeeds, the Portuguese might cover themselves in glory in Africa in a way they never did as colonialists.

Broadly, the scheme calls for some $600m in aid – investment aid, Mr Pinheiro insists, not grants – for Angola every year for 10 years and a lesser amount to Mozambique.

Phase one, the minister says, is complete. That involved canvassing a range of countries – the US, Soviet Union, Brazil and Lisbon's European Community partners included – on the political feasibility of the idea. Would they join in?

Mr Pinheiro says he got enough positive replies to move to the next phase. In Lisbon, Portuguese experts are now drawing up details of dozens of projects in both Angola and Mozambique that could be financed by the scheme.

The plans would provide a badly needed outlet for Portuguese engineering and development talent and for its relatively unsophisticated technology. Although funding might be multinational, the people directing reconstruction projects would be Portuguese. "The scheme is possible, it is feasible and only Portugal can do it," says Mr Pinheiro. Angolans and Mozambicans speak Portuguese, but the many colonists who fled Africa in the mid-1970s know both countries intimately.

It is the prospect of being in on the redevelopment of Angola's rich resources that so excites the Portuguese. After South Africa, the country's mineral and agricultural potential is arguably the greatest in Africa.

But almost everything is riding on the current US-inspired efforts to persuade the Angolans to bid farewell to the thousands of Cuban troops that have been helping in the fight against Unita. In turn, the South Africans would withdraw from neighbouring Namibia and stop their incursions into southern Angola in support of Unita.

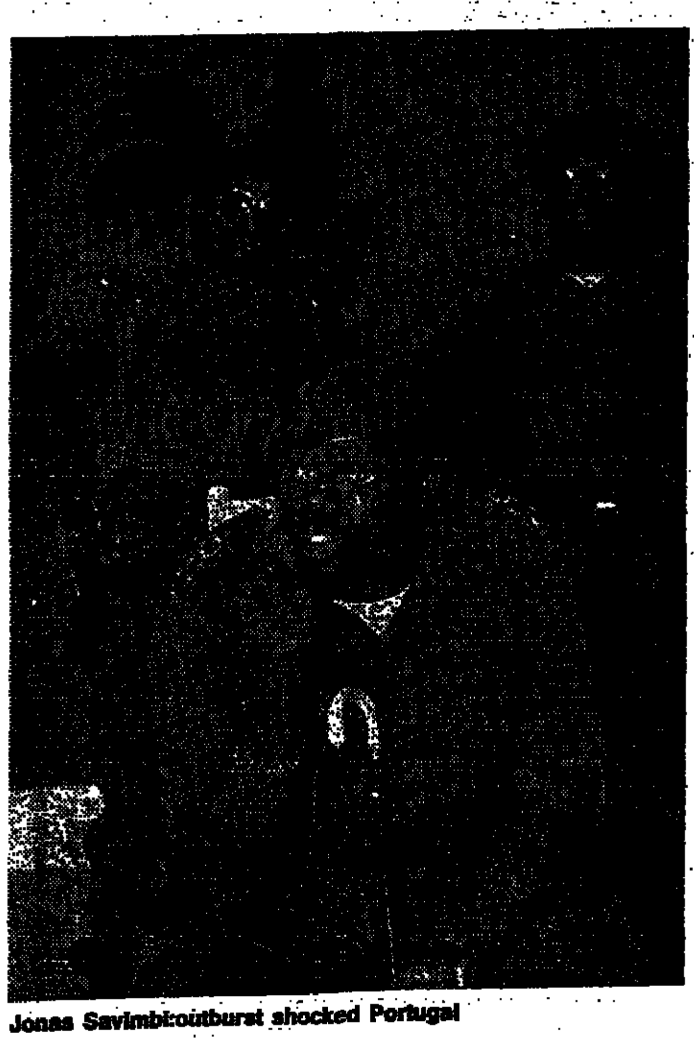
There is great optimism in Lisbon that the peace process will succeed and the Portuguese do not hide their belief that without South African help, the MPLA on its own has the muscle to defeat Mr Savimbi. For one, they have a modern air force and he does not. The aid scheme, which Lisbon hopes will act as an incentive to the MPLA to seek agreement on a Cuban withdrawal, could theoretically be put in place even if Unita were to continue fighting.

Although Lisbon's ability even to consider putting together a plan of this complexity is a function of the new trust that has grown up between it and the MPLA, Portugal's membership of the European Community is equally, if not more, important. It gives the Portuguese access to weighty economic powers like West Germany, Britain and France and as such makes it an even more useful ally to the old colonies.

The Portuguese say they are not disturbed at having been largely left out of the current Angolan peace talks. Lisbon has not even been a venue for any of the negotiations. "We will always be available if the parties involved want us to play a role," says the Foreign Minister.

Western diplomats in Lisbon, in fact, give the Portuguese high marks as a backroom player. The Americans are said to keep the Portuguese particularly well briefed on the peace talks and it is clear that Lisbon's close personal contacts with MPLA leaders – including its ability to spot differences of opinion in the Luanda Government – have helped smooth the way for meaningful negotiations.

Peter Bruce



Jonas Savimbi: outburst shocked Portugal

COMPENSATION

The battle continues

IN MARCH 1975, men in leather jackets brandishing "warrants" - copied slips of paper with illegible signatures and no particulars - burst in on wealthy or modest citizens and in the name of the revolution took them to prison.

Such was the zeal of the pro-Communist military, who seized power on March 11, after "crushing a right-wing military counter coup supported by fascist elements and the CIA" (said the propaganda). It was in fact a ploy devised by the Left as an excuse to take over politics and the economy, which left 2,000 people were crammed into cells.

A nightmare superseded the military coup welcomed with joy on April 25, 1974, the day soldiers with red carnations not bullets in their rifles ended a withered 50-year right-wing dictatorship that had held Portugal in limbo, isolated from modern Europe.

March 1975 brought workers' committees spouting hastily-memorised Marxist-Leninist jargon who tore through Portugal leaving damage that 13 years have not healed.

While businessmen were in jail unable to fight back, their assets were seized. On March 14 the Council of the Revolution nationalised all banks except three foreign ones, and much of commerce and industry.

About 150 enterprises and holding companies were taken and 800 companies fell into state hands through banks and holding companies or worker takeovers. Management was replaced by worker committees, founders' portraits by hammers and sickles; employees were purged for "consorting with capitalist pigs", and replaced by commissars.

When Portugal began to return to its senses in late 1975, 53 per cent of total investment had been taken over by the state. Distressed individuals began to think of compensation. Lumbered by enterprises it did not know how to run, by bloated bureaucracy and a mounting national debt, incurred by mismanagement of the new public sector, the State began to run short of basic funds never mind resources to compensate thousands of angry people.

Come 1988 the State is about to reprivatise some of the assets it acquired 13 years ago, starting with the sale of 49 per cent of the capital of Unicer brewery, and the Banco Totta e Acores.

The latter belonged to the Mello family, Portugal's liveliest venture capitalist clan and pet target of the 1975 revolution.

What happened to compensation?

What indeed, ask frustrated ex-owners and small shareholders who are now aiming to hit the State for a fairer deal than the one they received after 1976 when criteria for compensation were decreed by the (now-abolished) Council of the Revolution.

The formula gauged the value of compensation to average share prices for 10 years before the Stock Market closed in 1974 ...a neat way for the State to save money: Portugal's stock market only began to rise in 1972.

The next shock came in 1977. Parliament set Esc200bn (now $1.3bn) as total compensation for 1,000 companies (and over half the country's investment) and the means of compensation were decreed: bonds whose term and interest varied according to size of shareholding: - - tiny holdings (up to Esc50,000, $325) got six-year bonds at 13 per cent interest -holdings of Esc500,000 got 12-year bonds at 9.8 per cent interest - holdings above Esc6.05m ($40,000) including majority shareholders) got 28-year bonds at 2.5 per cent interest.

Inflation took off in 1976 and reached 30 per cent in 1982. It is not hard to see why ex-shareholders call their compensation 'junk bonds'.

"I rejoice," snorted one recently,"when my bank tells me I have Esc800 ($5.20) interest this year on bonds for shares once worth a $100,000."

Between 1980 and August 1988, provisional, then final, values were set for shares in banks, industry, oil, road and maritime transport and services.

Ex-shareholders were outraged. Unlike the French state which immediately paid compensation above, not below, stock market prices, in the weeks prior to nationalisation, the Portuguese state took eight years to offer values less than half the worth of shares in 1974 and less than 10 times their putative 1988 value.

In 1985, when the first Cavaco Silva government came to power and made pro-business anti-state excess noises, the Confederation of Portuguese Industry (CIP) began talks with the Prime Minister and the Finance Minister Mr Miguel Cadilhe, aimed at fairer compensation.

The CIP, acting as liaison for ex-shareholders asked for:

● Higher total compensation (only Esc150bn of the original Esc200bn compensation allocation had been mustered)

● Higher interest on 'junk bonds'

● Restoration of a facility granted in 1980-82 to pay bank debts (often incurred by effects of company seizures) with the nominal value of compensation bonds. This was suspended in 1983 when the then government claimed to have run out of spare cash.

Mr Cavaco Silva and Mr Cadilhe did not say No. They said money was tight but left a glimmer of hope.

On August 18 1988, when Portugal was on holiday and not reading the Official Gazette where legislation is published, the Cavaco Silva government delivered its verdict: final values for banks and electricity companies of less than half 1974 share values, no change in bonds, interest or debt payment facilities.

Ex-shareholders are furious. They consider Mr Cavaco Silva acted underhand manner, publishing final figures and "no change" legislation in the August holiday period, giving them only 30 days to set up appeals and resent the lecture he gave the CIP and television audiences: because he was not responsible for nationalisation, he was not, he said, obliged to pay more for them. Airily, in the shareholders' view, he told them to stop thinking only of themselves and look to the future.

He refused to see any connection between lack of fair compensation and forthcoming privatisation. The two processes are totally separate, the Prime Minister claims: ex-shareholders disagree.

His irritation shows in prefaces of recent compensation decrees, which refer to "putting an end to this lengthy process."

The end may not be that swift. Groups of ex-shareholders are now briefing high-powered lawyers.

The battle will start with Arbitration Committees on share values (a facility granted in 1986 in which shareholders and Government each appoint an arbitrator, these two choose a third and the Ministry of Finance acts on their findings. In the couple of cases already heard, ex-shareholders won: the prospect of dozens of committees now looms.

If committee findings are not satisfactory to ex-shareholders, they will appeal to the Supreme Civil Tribunal. If this does not work they will go to the Human Rights Court at Strasboung.

On a par with arbitration and appeals, ex-shareholders have a potent weapon: court stoppage of privatisation proceedings until compensation proceedings are completed. It could take years.

The dispossessed of 1975, having found Mr Cavaco Silva lacking, in their view, in moral support or material fairness, have given up asking nicely.

They say: "Now we know the types we are dealing with and will aim weapons accordingly."

The most tolerant ex-shareholders, who would accept a token graceful gesture from Mr Cavaco consider he cannot wash his hands of 1975 because he was not in charge then. Governments, whoever they are, inherit State assets they say. Like it or not, have a moral duty to offer fair redress.

Less-tolerant ex-shareholders put it more harshly: "When you receive stolen property you have a choice: give it back or pay the full fine.

"This government intends to make a profit selling (reprivatising) stolen goods and should pay up."

The administration does not propose to return nationalised companies to former owners and so far, is not showing signs of wanting to pay the full fine.

Diana Smith

The Espirito Santo bank which was seized and nationalised in 1975

ESPIRITO SANTO

Family with fighting spirit

IN THE 1970's Manuel Ricardo Espirito Santo and his brothers ran the Banco Espirito Santo e Comercial de Lisboa (BESCL), then Portugal's largest, most international bank.

Descendants of Jose Maria Espirito Santo Silva, founder of the family bank in 1884, they developed a bank with 100 Portuguese branches, $200m equity, deposits of $2bn and European branches. They had helped finance the (slow) birth of Portugal's industry they controlled enterprises like Bonanca –the Iberian Peninsula's oldest insurance company, founded 1808.

In London in 1972 the Espirito Santo's were among the founders of Libra Bank Ltd with partners like Chase Manhattan, Mitsubishi, National Westminster, the Royal Bank of Canada and the Swiss Bank Corporation.

When the 1975 revolution came, Manuel Ricardo, his brothers, relatives and friends were dispossessed. Their bank was seized and nationalised.

After a period in jail (being a capitalist was not a safe activity in 1975), the family left their homeland to find a new life, stripped of a bank that after the revolution remained Portugal's most solid commercial bank.

Resolved not to be beaten by events that ripped through their lives like a hurricane, helped by banker friends abroad like David Rockefeller, and by their good name, the family pieced together a new business, starting in 1977 in Switzerland with the Compagnie Financiere Espirito Santo, which manages investment portfolios.

They built up a group under the umbrella of the Espirito Santo Financial Holding, incorporated in Luxembourg. They have a commercial bank in Paris, a financial group in Brazil, a Florida-based bank, and Cayman and Virgin Island companies.

Poignantly, the Espirito Santos came back to Portugal without fanfare as foreign-based investors, closing the painful 1975 chapter and starting afresh with two enterprises:

● The Banco Internacional de Credito(BIC)

● The Espirito Santo Sociedade de Investimentos(ESSI), an investment firm.

BIC started in 1986 after 1984 laws reopened banking to Portuguese or foreign capital. In BIC, the Espirito Santos associated with France's Caisse Nationale de Credit Agricole, in ESSI with Belgium's SAPEC.

Waiting for the new institutions were hundreds of old friends - former BESCL clients, small, medium and large entrepreneurs who flocked to BIC'S premises in Oporto and Lisbon to avail themselves of a mix of corporate, private and merchant (but not retail) banking, or to ESSI's high-perched offices in Lisbon's new Amoreiras towers to arrange long-term project financing.

The old Espirito Santo name and a newly-demanding, competitive climate quickly produced results.

Manuel Ricardo Espirito Santo and his brothers do not manage their new Portuguese operation. They leave this to Augusto Athayde, who runs BIC and Tristao da Cunha, who runs ESSI, men with wide international banking experience who themselves had an uneasy time in 1975 and have taken a new lease on banking life.

In two years BIC reached a smooth cruising speed and is contemplating cautious expansion of bricks and mortar to the Northern city of Guimaraes, catering to the bustling growth of industry and trade in northern areas, and, alongside ESSI and the Espirito Santo group, into areas like leasing, property management and fund management.

The cheerful Mr Athayde, a product of Fontainebleau's prestigious INSEAD business management institute, of Chase Manhattan and of the Espirito Santo's Brazilian activities, has parlayed BIC into a half-year 1988 cash flow of Es1bn($6.5m) - equal to 1987's total cash flow, a 21.5 per cent pre-tax return on capital and capital that will reach Es6bn at the end of 1988 compared with Es1.5bn at start up two years ago.

The ESSI run by Tristao da Cunha who once headed the Foreign Department at Banco Totta e Acores, and for 10 years worked in London in institutions like the London Multinational Bank and the Saudi International Bank, began life under different ownership.

The company was founded in 1982 by the Macao entrepreneur John Wu as a Portuguese investment firm called FINC, on the understanding that in return for investment through FINC, residents of Macao would be entitled to residence in Portugal - a major point when the Portuguese-run enclave on the South China Sea was heading towards handover to the People's Republic of China in 1999.

The Portuguese authorities never enacted an investment/residence law and FINC languished. In late 1986, the Espirito Santos bought and renamed it today ESSI is planning to convert into an investment bank.

This will offer more flexible sources of funding (investment firms cannot take deposits, investment banks can), than bonds on which the firm now relies - highly successfully. In September, an Es4bn ESSI bond issue sold out in two days. Conversion will also allow them to lend to individuals as well as corporations, perform foreign exchange operations which now increasingly important in Portugal's liberalising market, and expand fee-earning fund and portfolio management and financial engineering, areas becoming dynamic energetic and competitive.

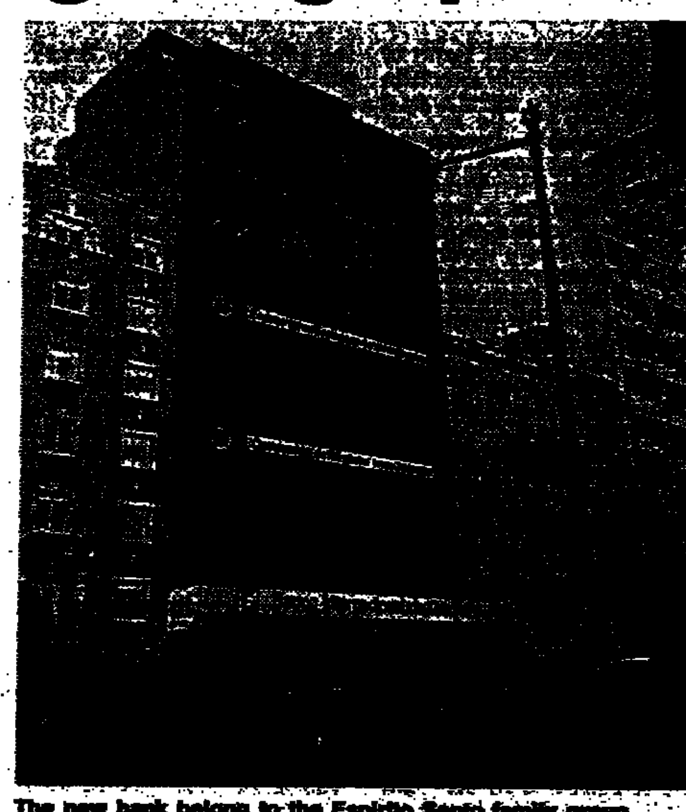
The quiet atmosphere of BIC and ESSI belie the vitality of the Espirito Santo group in Portuguese finance and business.

The group is briskly competing with new Portuguese banks and investment firms like Banco Portugues de Investimentos, Banco de Comercio e Indutria, Banco Comercial Portugues, Euro-Financeira, Geofinanca and another investment firm that also plans to convert to an investment bank, MDM, now owned by Deutsche Bank, but which started life as Morgan (Guaranty) - Deutsche - Mellor (another Portuguese business and banking clan dispossessed in 1975) and is also selectively buying minority holdings in successful manufacturers like EFACEC (capital goods) and SECLA(ceramics).

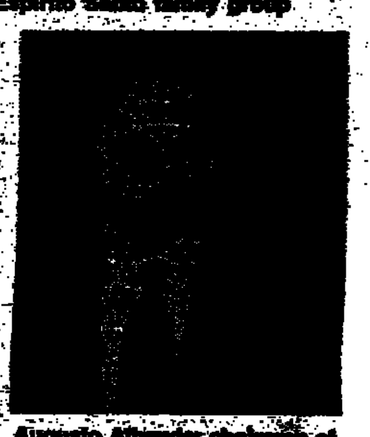
The professional ease with which their Portuguese financial institutions coexist with private and nationalised institutions is a striking example of how Portugal has muffled its rhetoric and begun to muster energies into economic and business growth, making it possible for entrepreneurs to come home, and make a success of a different rhythm of life.

For a family deeply hurt by events 13 years ago to come back as a major international group that twice in two years has launched heavily over-subscribed convertible bond issues on the international market for $40m in 1986 and for $150m in 1988 – is not an easy feat.

Diana Smith



The new bank belong to the Espirito Santo family group



Augusto Athayde: chairman of BIC

Financiers are spearheading country's modernisation

Bankers in the front line

THERE IS a rich pool of talent among the bankers and financiers — cosmopolitan, debonair and clever — who have dug themselves in on the front line of Portugal's modernisation. Already, some of them are making a lot of money. The FT meets four of the new breed.

Mr Fernando Ulrich, 36, is new to the board of the thrusting Oporto-based investment bank, Banco Portugues de Investimentos (BPI). He started his working life at the end of 1972 as a journalist, covering the then booming stock market for a new newspaper Expresso. The job taught him a lot about business and it did not hurt when his editor became Prime Minister in 1981.

"No one was doing anything then and because I was the only newspaper analyst, I did quite well," he remembers.

He met a lot of people and by the time the revolution had come he was offered a job assisting the Portuguese ambassador to the OECD just in time to witness at close hand the first oil price shock. It was, he says, a "university."

He returned, briefly to Lisbon to join the Foreign Ministry in 1979, went back to Expresso in 1980 and was made chief of staff for the Finance Minister in 1981-82. "I loved it," he admits, "but it wasn't a profession." In 1983 he moved to the BPI — which was then an investment firm — to open a Lisbon branch.

The local financial markets were then just beginning to open and Mr Ulrich was rewarded for his success in establishing BPI in Lisbon with a directorship. BPI became a bank in 1985 and is regarded as very a lucrative property.

Mr Jaime d'Almeida is chairman of the MDM investment group. Now 45 years old, he says he always wanted to be a banker. After finishing a law degree in Lisbon in 1965, he joined the then Banco Borges & Irmao and moved swiftly on to Banco Totta & Acores where he rose to become manager of its London branch. After the 1975 revolution he left and found a kindred spirit in the financier Jose Manuel de Mello who had left Portugal.

Mr de Mello wanted to start anew, with something small. "The idea was to create a physical presence in Portugal," says Mr d'Almeida. They approached Morgan Guaranty who liked the idea of a financial services company that could one day take advantage of an improvement in Lisbon's financial climate. Morgan put Mr d'Almeida in touch with the Deutsche Bank and MDM (Morgan-Deutsche-Mello) was born.

The Germans bought out the other partners at the end of last year and MDM has become a leading edge of West Germany's advance into Portugal. "Of all the institutions operating in Portugal we are one of the very few with a European dimension because we are, in fact, the Deutsche Bank," says Mr d'Almeida. The fact that he is totally free of local shareholders keeps MDM at arms length from the market, he says, which in a confused, fast-growing and over-regulated market like Portugal's is probably a good thing.

Mr Antonio Gueirreiro, 35, is managing director of his own company, Finantia, a small nine-month-old investment house that he has put together

Fernando Ulrich: established BPI in Lisbon

with help from his former employers, the International Finance Corporation, and some institutional partners in London and Paris.

He studied finance at Lisbon University and spent a year with Chase Manhattan in Brazil. He took an MBA at Harvard in 1978 and then spent seven years with the IFC in project finance and capital markets before leaving to join Chase again as No 2 in its new Lisbon office. Chase may have brought him home but it did not keep him long.

"I thought it would be fun to get into investment banking," he says, and set about finding $1.7m to get him to his January start-up. "We have a few things we want to do differently," he says and claims a "religious belief" in good quality research. To help him, he poached his new team from, among others, Citibank and MDM.

Ms Helen de Castro, 42, probably typifies the new breed. Boundlessly energetic, she is a partner in an investment boutique, Deca, set up in December 1986 with two others. She is quite capable, as she demonstrated, of conducting an interview, talking (instructing?) a Cabinet Minister on the telephone and debriefing a partner simultaneously.

Ms de Castro studied economics at Bryn Mawr in the US and is reading, her *curriculum vitae* claims, for a doctorate in economics from Oxford. She worked for McKinsey from 1972 to 1976 in London, Paris, Lisbon and New York, then went to Brazil for the consultants, and then branched out there on her own.

Deca quickly made headway in the tremendous surge on the Lisbon stock market last year and suffered along with the rest of them when the market plummeted. The bourse is still on the floor but Deca, she claims, is up and running largely because of a U-turn in strategy after the October 19 crash.

Using her knowledge of corporate financing, she and her partners went to find new business and now 80 per cent of their business is in corporate finance compared with just 20 per cent a year ago. "For two weeks I didn't sleep," she says of the agonising wait to get out of the capital markets.

All four of these high flyers share something in common — they are way ahead of the slow deregulation of Portugal's financial markets. Now that it is, for instance, possible to buy the 10 brokerages on the Lisbon bourse, all of them have turned their noses up.

"The brokers are selling themselves very high," says Mr d'Almeida at MDM. "We prefer to wait until the markets open completely as they will have to."

Neither is any of the four particularly impressed by the government's efforts to privatise some of the many companies nationalised after the revolution. "They don't know what they're doing," says Ms de Castro. "The (first) privatisations could be very messy because there's no experience."

Mr Ulrich, whose bank, like Deca and MDM, is on a shortlist to lead one of the first privatisations, says he is there because the benefits of a successful flotation, especially on Lisbon's poor exchange, would be enormous. "We want to be the leading investment bank in Portugal," he says.

Like all his competitors, Mr Ulrich suffers a loyalty — probably bred of being in the pioneering phase of a new market — that seems to have deserted a market like London a long time ago.

"It is getting terribly expensive to find people," he says. "I would not conceive of moving to a competitor."

Anyway, the Portuguese are not a fickle, grabbing nation. "One of the things most people fail to appreciate," says Mr Guerreiro, "is the resilience of the Portuguese. These people can live on very little."

You have to be a survivor to thrive in Lisbon's bureaucratic jungle and to plough on even if the government appears not to be as in control of the economy as it claims to be. With inflation at 10 per cent, you also have to be an optimist. "I'm a Brazilian," exclaims Ms de Castro, "so I think 10 per cent inflation is fantastic."

Peter Bruce

REPRIVATISATION

Trimming the state sector

THE STATE is soon to shed 49 per cent of the Banco Totta e Acores, a commercial bank nationalised in 1975.

The financial community is glad to see that the government has started a gradual reduction of the bloated state sector, which has losses of about $9bn (£5bn), and whose voracious financing needs distort the credit system.

Reprivatisation of 49 per cent of the capital of selected state enterprises will graduate to denationalisation in a few years, after anti-denationalisation dogma is erased from the Constitution.

Meanwhile, the government's difficulty in following advice from experts who have successfully handled privatisations in other countries has brought some criticism.

It was suggested that semi-reprivatisation start with a consistently solid bank like Banco Espirito Santo e Comercial de Lisboa, to ensure a glittering sale and a tonic for the capital market, which has floundered since the 1987 crash.

But the authorities picked Banco Totta, which went into profit only three years ago, after a decade of trouble, and may need muscular selling, according to market experts.

The authorities were advised not to limit who could buy how many shares, letting the market, not the government, determine the size of acquisitions.

However, the authorities insist that of 49 per cent of the bank being offered, no one may take more than 10 per cent.

Ten per cent is reserved for emigrants and employees of reprivatised companies. And thus a chance to foster dynamic groups by allowing unlimited acquisition by pre-1974 shareholders, or by new groups has been rejected.

The brush-off for experts outside the government's clique of advisers has been blamed for the limp state of the capital market.

A wild 1987 boom on a primitive market worried analysts who urged the Finance Ministry, responsible for the capital market, to endow the system rapidly with better checks and balances, operating rules and consistent, not forever changing, tax laws.

Nothing was done last year. The crash still reverberates, with the market bottoming out so often people suspect it has no bottom.

Daily share turnover is now worth under £1m.

Measures taken in May to automate the market and enhance credibility were like giving a car with no petrol tank a respray, and did little to revive investor confidence.

The Finance Ministry, advised to boost the market with tax relief — which in the recent past has been given and taken away so many times no one is sure what the present rules are — has laid down 1989 rules where companies will pay about 45 per cent tax on earnings, and dividends will suffer 25 per cent tax. Hardly a formula for investor buoyancy, say analysts.

The World Bank has urged the Finance Ministry to deregulate. Meanwhile, spare funds, fairly abundant after three years of good company results and rising professional salaries, drift into property, art and jewellery until the capital market convinces investors that it is attractive.

Market doldrums brought cancellation of share or bond issues — warning signals to which the government has not responded.

The contradictions of a government which impressively talks of liberalisation but then publishes fussy laws good for a few months which are apt to be tightened if private financial enterprise makes headway too fast, exasperate a skilled private financial sector preparing for 1992 when survival will demand freedom to move defensively in the face of sophisticated EC competition.

They feel the state, whose excessive burden and red tape Mr Cavaco Silva promised to lighten, still has the right of way while the private sector sweats through each inch of progress.

The IMF, in a detailed report, recently bore out local analysts' warnings: it is time to regulate credit without ceilings that pinch the private sector and cushion the public sector, and time to feed state financing needs from the market not the nationalised banking system at cheap rates set by the state, not the banks.

Credit ceilings are inefficient and distort the system, the government is told and admits this while maintaining them.

The authorities know they have kept ceilings on too long without really tackling underlying inflation fuelled by the financing needs of a deeply-indebted, inefficient state machine.

To let them off abruptly risks a credit explosion that could put the economy into a dangerous skid.

The IMF recommends that, to avoid credit explosions, banks exercise careful credit management. But instead of encouraging responsible credit management banks, the authorities recently rejigged the weighting formula by which they determine lending leverage for all banks and increased discrimination in favour of nationalised banks.

After a period when weighting was given to capital in which private and foreign banks are stronger than under-capitalised nationalised banks — and to current accounts, in which some new private banks specialise, the authorities shifted weighting to time deposits, in which nationalised banks loaded with six-month time deposits, are strong.

These can lend up to 20 times their capital. A wholesale bank like Manufacturers Hanover Trust which, with an eye on building up muscle for 1992, altered its statutes last year, successfully went public (in spite of the glum stock market) and now has $125m capital funds, cannot lend more than 1.5 - 1.8 times capital.

Citibank also went public locally this year; other foreign banks seem likely to follow suit in the run-up to 1992. Aspirations regarding 1992 have also brought in Spain's major banks — notably Hispano Americano in an investment firm with many spin-offs, and Banco de Santander wooing the small and thriving two-year-old Banco de Comercio e Industria for 10 per cent of the Portuguese bank's equity.

Pro-state distortion, meanwhile, must vanish by 1992. The authorities know they must endow whichever nationalised banks they keep, with more capital and cease artificial controls.

Of total credit to the economy to June 1988, the state absorbed Es180bn. Credit to the private sector grew 11 per cent. Credit to the public sector grew 18 per cent.

Leasing companies exempt (to their delight) from credit ceilings, have seen business rise 60 per cent this year, increasing private bankers' sense of being hard done by.

With no nationalised leasing companies, needing special protection, the sector works like a real market place.

Back in banking, EC ground rules, which Portugal's authorities must accept by 1992, frown on pro-state discrimination. Brussels has already rapped Lisbon's knuckles over attempts to prolong favouritism for state grain and oil monopolies.

Mr Miguel Cadilhe, the Finance Minister, is attracting bankers' barbs for being seen not to keep his house in order. He has admitted his ministry lost track of Es100bn ($650m) in state funds and that budget forecasts have gone haywire.

To fill the gaps and avoid political repercussions of a revised mid-year budget, treasury operations have been carried out. For 1989 Mr Cadilhe has come up with a formula bankers consider novel: his budget would be in surplus to the tune of 1.5 per cent of GDP, were it not for interest on the national debt, which will produce a deficit of 7.5 per cent of GDP. For 1988, Mr Cadilhe forecasts a 8.5 per cent deficit which he now recognises will be closer to 9.5 per cent of GDP.

Privatisation is a partial answer, bankers believe. They say it will reduce the expensive volume of state enterprises, and the number of excuses the government finds for warding off real market forces. If reprivatisations do well, they can raise funds to repay part of the enormous public debt (80 per cent of GDP) and eventually give the private sector a fairer slice of the credit cake.

But the real catalyst will be 1992, when the doors fly open not just to the domestic private sector but to Europe with rules set not by local bureaucrats but by the market place.

Sensing danger ahead, bankers and financiers are more outspokenly critical of the financial authorities than ever before. Portugal's bureaucracy, they say, has for decades presumed only it can define and run a financial system, and tolerated rather than encouraged private operators, entangling them in red tape.

In the old days when Portugal was isolated, this presumption was not contested by citizens: now it is.

Diana Smith

Special $550m fund is set up to accelerate modernisation and close productivity gap

Brussels throws cash lifeline to industrial sector

AMID THE phrase-making and punditry that preceded Portugal's entry to the European Community three years ago, some sceptics abroad suggested the country threatened to become "the South Korea of Europe," with foreign companies paying workers little more than their south-east Asian counterparts to assemble components and pump low-priced electronic goods into Europe as Community products.

This vision of Portugal emerging as a steamy powerhouse of high-tech manufacturing may once have glimmered in the dreams of government planners but has never seriously troubled the sleep of European competitors. In reality, industry is struggling to reach a similar level to that of a small farming nation such as Ireland, with little hope of making a significant impression on a market that the Pacific rim countries have dominated for almost two decades.

The true picture is of a country where more than 70 per cent of companies employ fewer than 10 workers and less than half a per cent more than 500; where a handful of traditional industries – textiles, footwear, ceramics, furniture, paper pulp and food processing – account for between 60 and 70 per cent of total value-added, exports and employment; where, except for a few high-performance enterprises, industry is dominated by family-size concerns hampered by obsolete machinery and a lack of modern management and marketing skills.

Welding optical fibres in one of Portugal's high-tech companies

The coming of the Single Market means that in four years, these outworn plants and workshops will lose their last vestiges of protection from European competition. Private industry is striving to meet the challenge, with capital investment soaring over the past two years after more than a decade of stagnation. But a depressed capital market and a tightening credit squeeze signal that Portugal alone will not be able to generate the investment needed to equip its industry for the European fray.

Brussels is throwing the country a lifeline in the form of a Specific Programme for the Development of Portuguese Industry (PEDIP), due to be approved this autumn, that will inject Ecu500m ($550m) over the next five years into modernising the industrial sector, where productivity is currently less than a third of the European average.

"The Community recognises Portugal as a backward industrial region and has agreed to create a special fund to accelerate modernisation and help us close the gap in efficiency and productivity that separates us from the countries we will be competing with in 1992," Mr Luis Mira Amaral, the Industry Minister, told the Financial Times.

The cash, that comes on top of extensive regional and other EC funds already flowing into Portugal, will be channelled into updating existing industries and developing new sectors to broaden the country's industrial and export base. The funds will be administered as an investment incentive scheme, providing cash grants of up to 40 per cent of the total cost of projects, with 75 per cent of the finance coming from the Community and the rest from Portugal.

Government philosophy for moving industry towards the 21st century rests on four basic principles: stimulating the working of a market economy by reducing bureaucracy and state control – the latest move in this direction being the liberalisation of rigid labour laws; improving competitiveness by stimulating innovation, quality control and the use of modern production and management methods; using energy more efficiently and helping industry catch up with major changes taking place in domestic and external demand.

Strategic aims for achieving this last objective include more effective industrial use of the country's natural resources, mainly wood and some minerals; modernising the plant of traditional industries, particularly textiles, shoes and furniture; supporting the development of capital goods sectors in which Portuguese technology is competitive, such as wood-sawing and farm machinery, and encouraging foreign investment, especially joint ventures, in areas such as textile machinery where domestic producers are almost non-existent.

To these ends, the government is nurturing the growth of research and development and advanced technology pools focused on areas such as ceramics, glass, cork, paper cellulose, robotics and alternative energy sources to enhance the performance of Portugal's basic industries. Service industries, particularly software and information technology, are also priorities for development.

Precise details of how the PEDIP scheme will be used to support these aims have not been finalised, but government policy indicates eligibility for grants will be assessed on a few general principles rather than rigidly-defined sector-by-sector priority. The Social Democrats, rejecting attacks by the Socialist opposition that the country lacks a sense of direction for its industry, stress their belief that the market should be allowed to decide which sectors thrive and which fall by the wayside.

But even the Confederation of Portuguese Industry (CIP), the employers' organisation that is among the fiercest opponents of state intervention, is encouraging the government to determine sectorial priorities for the PEDIP funds. "This is an administrative programme rather than a market system," said a CIP official. "As half a dozen decisive sectors dominate Portuguese industry, all with major needs, we believe the only realistic policy is to direct grants into these fundamental areas. There simply isn't enough for anything else."

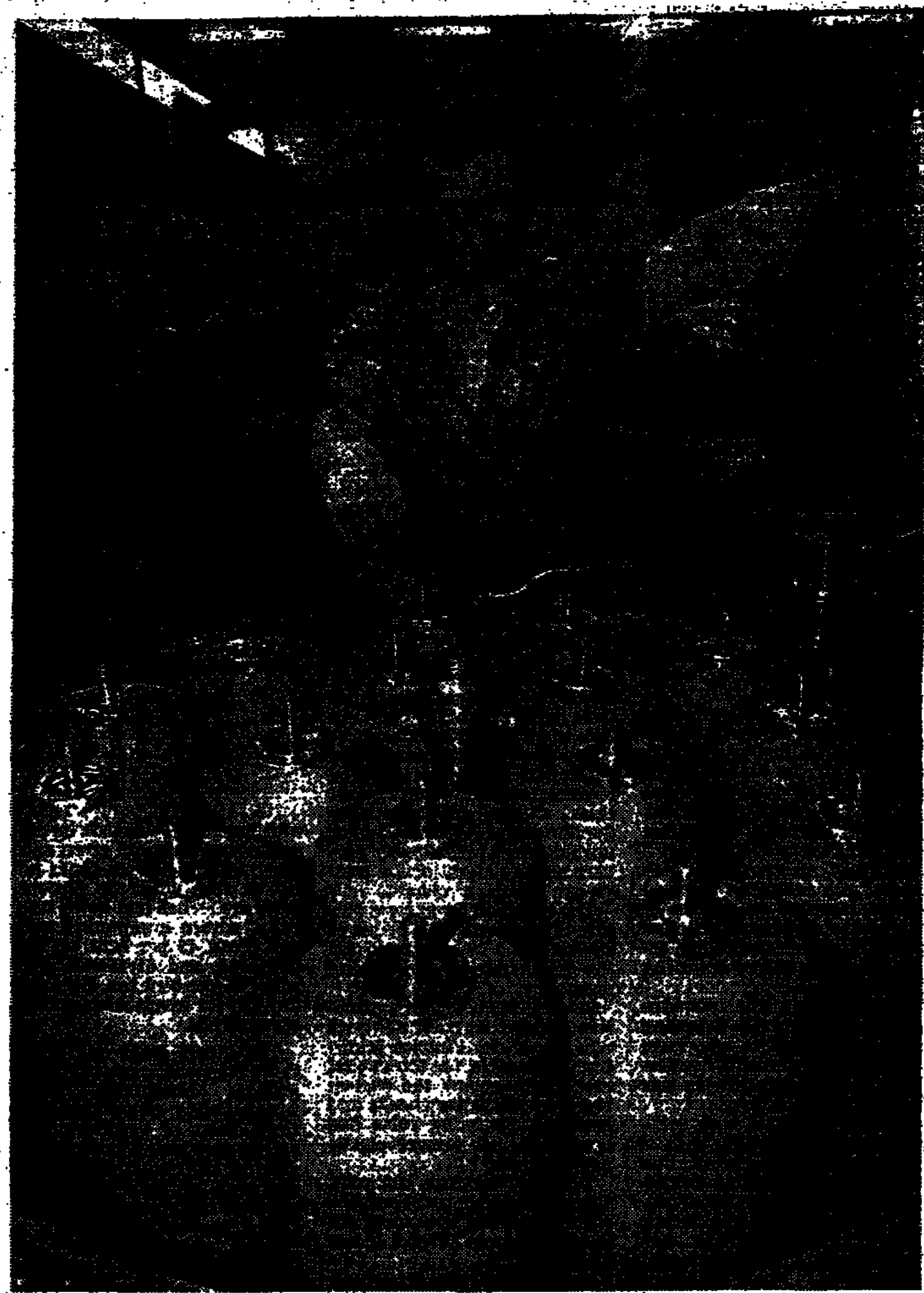
Mr Mira Amaral is concerned that restrictions would stifle investment in other sectors, not least electronics and component assembly, a potential growth area for foreign investment that the government is keen to tap, albeit not on a South Korean scale. "We offer a European package with non-European wages. Why should investors producing for the EC look to Asia when Portugal is so close at hand?" he asks.

Forecasts for 1988 show Portuguese workers earning an average $2.72 an hour – or only $0.58 an hour more than South Koreans, less than a third of earnings in Spain and a sixth of those in West Germany. "Portuguese wages will move towards the European average over the medium term as the economy expands," the minister says. "But the transition period offers investors an opportunity to start highly competitive operations in Portugal that will also help modernise our technology."

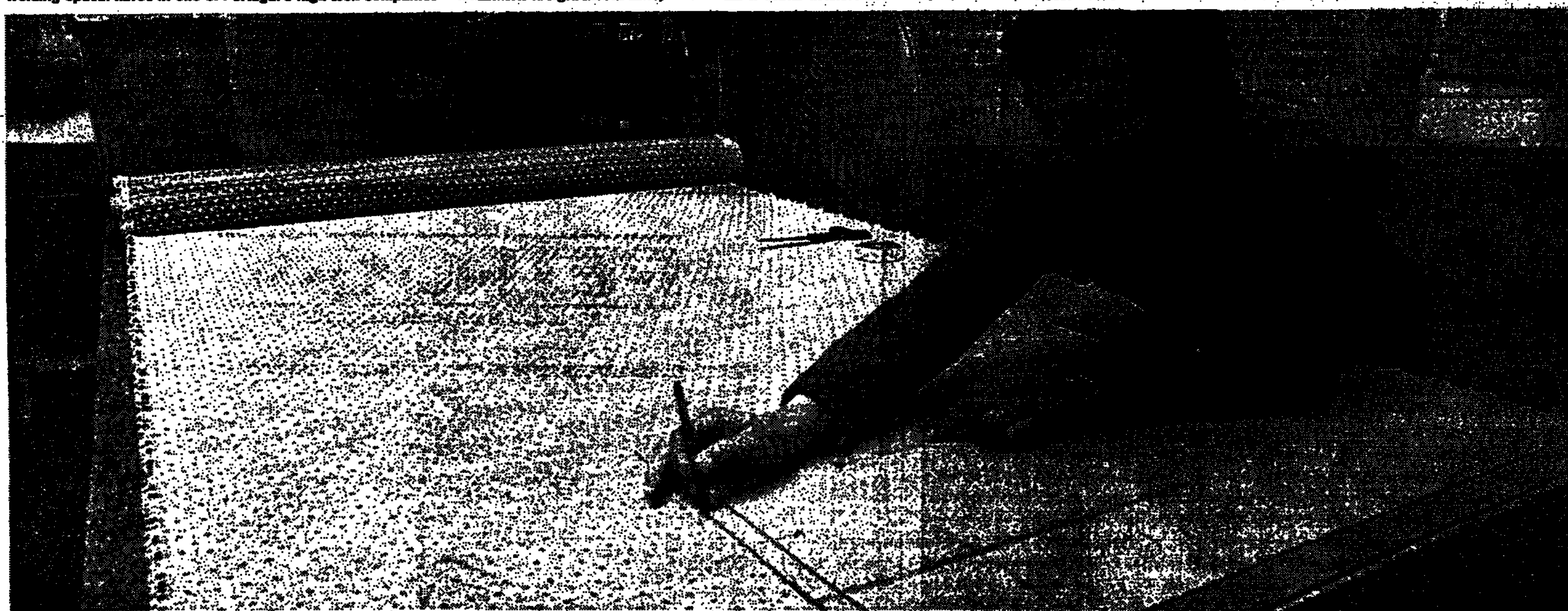
Foreign managements allied to Portuguese workforces have achieved some of the highest productivity rates in Europe, according to Mr Mira Amaral. But foreign investment growth over recent years has been predominantly in services while industrial investment remains limited to a few key sectors, namely paper pulp, minerals, shoes and textiles.

The CIP believes the government is hampering industrial growth by progressing too slowly with privatisation. "The sooner the government privatises, the sooner they will relieve the economy of nationalised industry's debts and inefficiency," said one official. "The public sector deficit is an immense drain on the country's financial resources that restricts the availability of credit and capital for productive investment and disturbs the efficient working of the financial system."

Peter Wise



Thread being dyed at the Oliveira Ferreira textile factory: Textiles along with ceramics, footwear and furniture are Portugal's traditional industries



A family-run furniture making factory: in Portugal 70 per cent of companies have fewer than 10 employees

Trade boost

British exports to Portugal increased by 50 per cent last year to £700m, says the Portuguese Chamber of Commerce and Industry in the UK.

Nevertheless, Britain - which for many years was the principal overseas supplier to Portugal - was in fifth place last year behind West Germany (£1.2bn); Spain, (£1bn); France, (£940m); and Italy, (£740m). Around £277m in foreign investment was made in Portugal last year, of which 24 per cent came from the UK.

The Portuguese Chamber of Commerce in London "concentrates on supporting a wide range of products and services in both directions" between the UK and Portugal, says the chamber's director-general, Mr Ronald Price.

Together with the Portuguese Trade Office, the chamber stimulates commercial and industrial relationships by identifying business opportunities, organising conferences and exhibitions and providing a forum for businessmen from both countries. For more information, contact the chamber on 01-493-8873; (fax number 01-493-4772).

Architects consider how to heal wounds of devastating fire

New life for a beautiful city

AS ARCHITECTS consider how best to heal the wounds inflicted on Lisbon by the fire that destroyed the heart of the 19th century Chiado shopping district in August, hopes are emerging that rebuilding and renovation can be extended to bring new life to other historic areas of one of Europe's most beautiful capitals.

Mr Alvaro Siza Vieira, a Portuguese architect, internationally renowned for his work in the historic quarters of several European cities, has been asked to oversee the rebirth of the Chiado.

The project, expected to retain the essential character of the district in spite of continued clashes between traditionalists and modernists, could become the centrepiece of a revitalised Lisbon.

"We hope that what happens in the Chiado will serve as an example for recuperating the rest of the city centre," said Mr Goncalo Ribeiro Teles, an architect and one of Portugal's leading environmentalists. "We need a plan to save the whole historic area along the banks of the River Tagus."

The Chiado was part of the low-lying centre of Lisbon that was rebuilt under the Marquis of Pombal, King Jose I's chief minister, after the city was devastated in 1755 by an earthquake and a huge wave that rolled in from the Tagus estuary.

The 18 buildings destroyed by the fire this summer represent about 1 per cent of Pombaline Lisbon which itself accounts for 10 per cent of the historic areas of the city.

On either side of the Pombaline district, distinguished by its broad avenues and plain, stately buildings, medieval quarters climb steeply up the hills that escaped the earthquake.

To the east, the Alfama, the oldest neighbourhood in Lisbon, is a labyrinth of steep steps, cobbled alleys and wrought iron balconies covered with geraniums. To the west, the Bairro Alto and Madragoa districts bustle with crowds visiting the taverns.

Concern is growing over the fate of these and other old quarters of the city that have fallen into such decay that building periodically collapse as the agreeably well-worn character of Lisbon deteriorates into a state of dangerous delapidation.

Programmes, often drawing on EC funds, have been devised to renovate selected areas but many specialists, such as Mr Ribeiro Teles, a representative of the Monarchist Party on the Lisbon City Council, is pressing for a wider plan to preserve historic districts from ruin.

The authorities are now taking a much tougher line over graffiti and anarchic bill posting

In recent decades, Lisbon and the northern city of Oporto have been struggling to cope with the steady migration of populations from the rural interior seeking jobs in industry and the services. Huge housing estates sprawl across the outskirts of the city along with whole neighbourhoods built clandestinely without proper roads and utilities and what the Lisbon Tenants' Association estimate to 16,000 shanty dwellings.

As the suburbs exploded, placing tremendous strain on the infrastructure and road and public transport access to the cities, the historic centres have been abandoned to neglect, ruin and property speculation.

Today hardly anyone lives in the Pombaline commercial centre of Lisbon, known as the Baixa, that falls deserted as soon as the shops and office close. Masonry is falling from the grimy facades of tottering buildings in ancient quarters such as the Bairro Alto, Mouraria and Alfama.

Many of Lisbon's inner city problems are a consequence of a 40-year rent freeze imposed by the Salazar regime. The freeze was lifted only three years ago by the Social Democrats, permitting annual rent increases at determined percentages. Small landlords could not afford repairs as the value of their frozen rents diminished over the decades until they became hardly worth collecting.

The solution for owners has been to sell their properties to the state or private companies seeking head offices in the city centre. Many building purchased in this way for government departments and corporate offices have been finely renovated that show the beauty of old Lisbon at its best. But before they can be sold, landlords have to wait for their older tenants to die or persuade them to leave by giving them enough money for the deposit on an apartment in the suburbs.

This process has steadily emptied the city centre of inhabitants, while the buildings that still house people are allowed to fall into ruin; their empty apartments often used as clandestine warehouses, as landlords wait for the last tenants to leave in the hope of selling to a corporation.

Mr Ribeiro Teles has called for people to be brought back to the Chiado when the area is rebuilt, a factor he says would have helped raise the alarm more quickly after the fire broke out.

He said: "I believe the answer is to bring life back into the city centre by building apartments, small shops and workshops so that there is a thriving community here."

The problem of historic areas like Alfama, Mouraria and Graca are more fundamental. Little has been done to restore some of them since the middle ages, while traffic and the installation modern utilities have increased the strains on their structures.

Efforts are underway to improve some of the these neighbourhoods and the face of Lisbon is growing brighter as the result of a clean-up programme.

Rossio railway station, rarely given a second glance under its black grime, recently emerged as an intricate monument to 19th century architecture after extensive sandblasting.

The authorities are growing tougher on anarchic bill posting and most of the layers of political graffiti painted on walls, statutes and even trees after for years after the 1974 revolution have been removed, not without some regret over the losses of some Chinese-style masterpieces of mural politicising that were mostly the work of small Maoist parties.

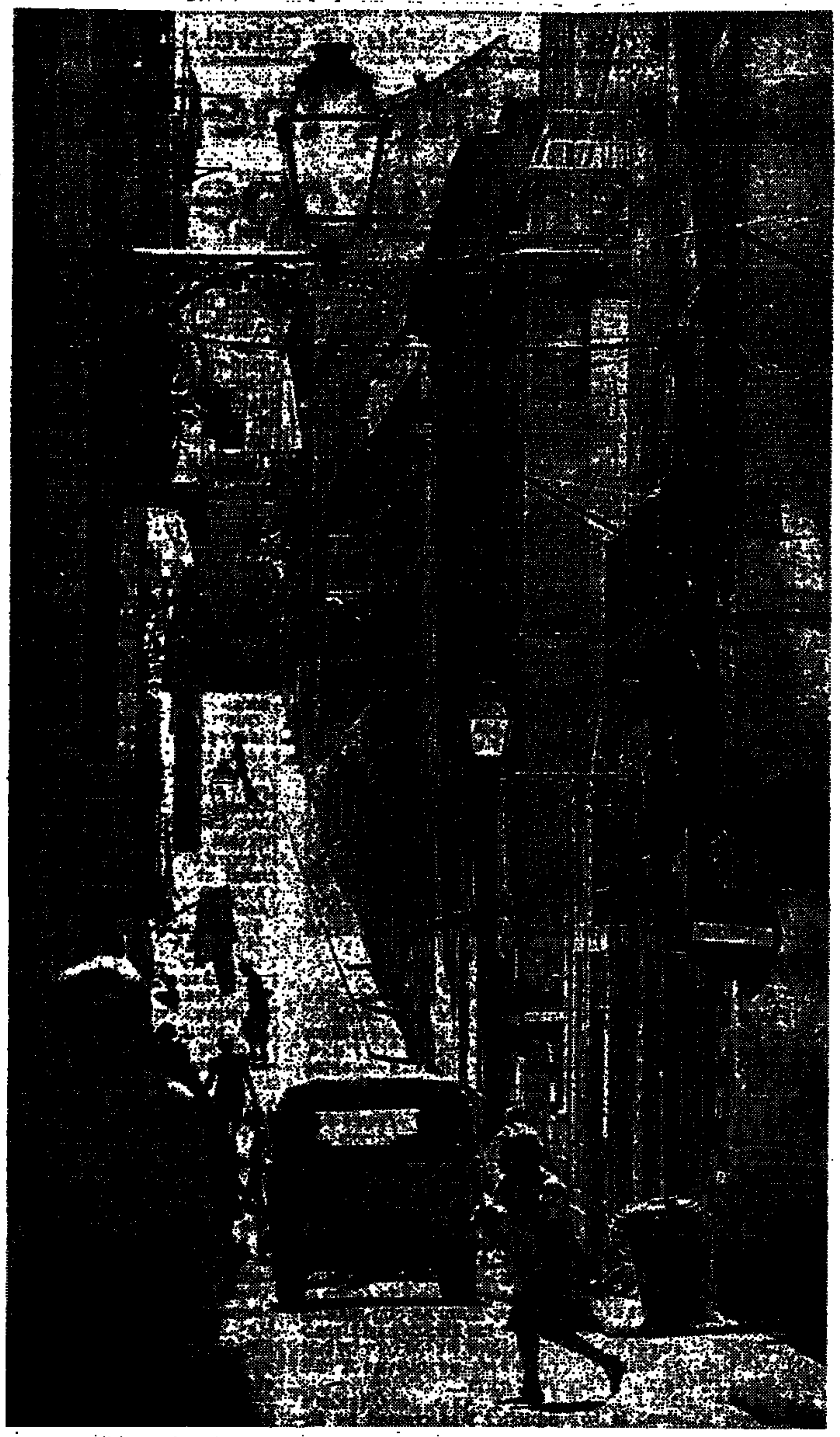
Mr Nuno Krus Abecassis, the Mayor, is working to eradicate shanty towns, a scheme has been launched to help poorer tenants renovate and repair their buildings and a programme to restore the Alfama is awaiting implementation. But many believe a wider plan for the reviving all historic sectors of the city would be more effective than piecemeal programmes.

"Preserving the Alfama as a protected island within the rest of city is not the solution," said Mr Ribeiro Teles, "Lisbon needs a global programme, eliminating speculation by making the rules for property sales the same in all areas of the city, limiting the volumes of building, determining an adequate proportion of open spaces and ensuring that all historic building can be renovated and preserved."

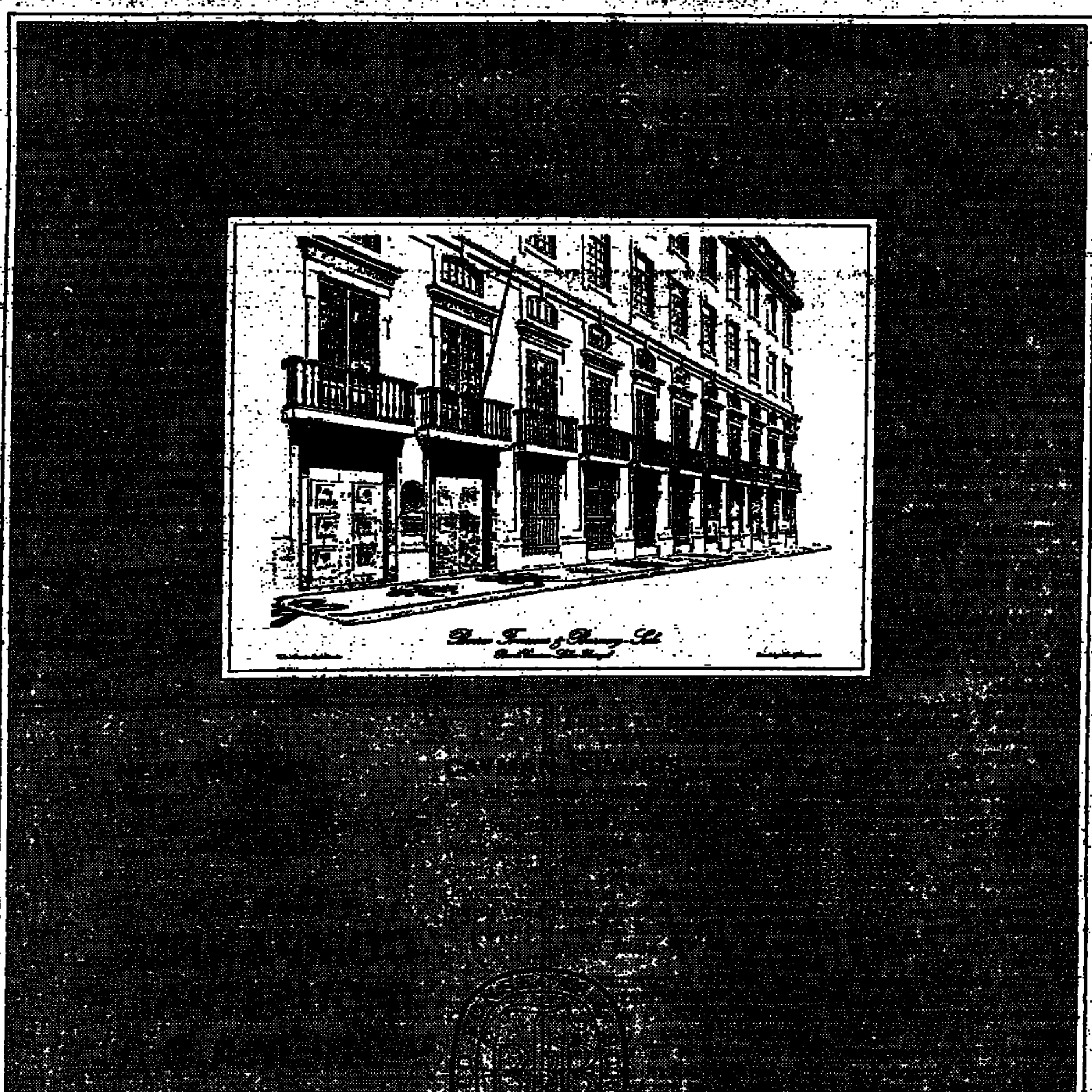
Specialists believe such a project will eventually emerge but it is not expected before municipal elections next year where the rebuilding of the Chiado and the restoration of the ancient city are likely to be major issues in the capital.

Financial support for such a programme might not be difficult to find. "We would be delighted to open a line of credit for saving historic Lisbon," Mr Dominique Cayancourt, the director of the European Investment Bank in Portugal, said. "But it would have to be a large global project or the figure would be too small and the city itself will have to come up with the plan."

Peter Wise



A Lisbon back street: some of the city's more run-down areas are being renovated



Profile: Luis Valente de Oliveira

Channelling the aid from Europe

Luis Valente de Oliveira: Planning Minister

MR LUIS Valente de Oliveira looks like a man who enjoys the brass bands that oom-pa-pa enthusiastically at the scores of official openings he has attended as Planning Minister in the three years of unparalleled expansion of public works that followed Portugal's entry to the European Community.

A broad, good-natured northerner with a merry smile, he appears equally at home meeting mayors and addressing village hall meetings in his Friday and Saturday visits to the provinces or devising investment programmes in an office cluttered with maps, that overlooks the River Tagus estuary.

A vital brief of the 51-year-old Minister, a professor of civil engineering with a Master of Science degree from Imperial College, London, is to channel the flow of Community aid so that Portugal derives maximum benefit from the unprecedented resources made available by Brussels.

Mr Valente de Oliveira takes pride in monuments to modernisation that are changing the landscape of the Community's poorest member - from new motorways, bridges and dams to reservoirs, schools and research labs. But it is the change in people's horizons he finds most rewarding.

"Ten years ago rural communities needed roads to end their isolation, five years ago they sought drinking water and sewerage systems, but today people think in terms of schools, libraries and playing fields," the Minister said, measuring how far the country has come and the distance it still must cover.

Mr Valente de Oliveira's ministry was created by Mr Anibal Cavaco Silva, when he became Prime Minister in November, 1985, as a control and planning centre for funds that EC entry would bring flooding in two months later.

The Social Democrat leader split planning from the Finance Ministry, removed regional development from the Interior Ministry and abolished the Environment Ministry to place responsibility for these areas in a new Ministry for Planning and Territorial Administration.

Mr Valente de Oliveira, sometime Minister for Education and Science, was called from the Northern Region Co-ordination Commission which he had headed for five years to run what Portuguese journalists called new superministry that would hold considerable power within the Cabinet through its control of vital EC funds.

One of the Ministry's first challenges was to draw up an annual plan setting out policy priorities and development targets, alongside the budget. Opposition parties on the left, that then held a majority, rejected the plan in parliament in one of several tactical moves aimed at bringing down Mr Cavaco Silva's minority 1985-87 government.

Preparation of the budget and the plan by separate ministries brought into focus the potential clash inherent in distinct Finance and Planning Ministries. On one side planners would be expected to press for growth, investment and as much EC aid as possible, while finance officials would be anxious to hold down budget spending and ensure that investment growth did not threaten the most vulnerable areas of the economy: inflation, the trade gap, the current account and budget deficit.

In what some observers saw as partly a move to pre-empt undue pressure on macroeconomic targets by development programmes drawn up in the planning or other ministries, Mr Miguel Cadilhe, the Finance Minister, came up with his own framework for sustained economic growth minus the risk of returning to boom-recession cycles that have beset Portugal in the past.

The Structural Programme for Correcting External Deficits and Unemployment (PCEDED), drawn up with the World Bank, sets out terms that investors consider excessively-rigorous for guaranteed foreign exchange returns and capital-job ratios.

Mr Valente de Oliveira faces up to restraints that the frailties of Portugal's economy place on development with realism and determination. "We must find just the right dose of investment that makes optimum use of funds available without upsetting our macroeconomic balance," he says.

He is working on a regional development programme, a global plan required under new Community rules, that replaces appraisal of a series of separate projects by Brussels with a single national framework, giving governments greater autonomy to determine the use of EC funds and the direction of development.

"We are looking for equilibrium between productive investment and the need to bring down inflation, reduce the budget deficit and keep the trade gap to a reasonable dimension," the minister said.

Mr Valente de Oliveira is encouraging local government to contribute to EC development projects in their regions to reduce the investment that must be met by the public administration. "Nothing is compulsory," he says, "but I feel certain we can convince local authorities to supplement investments that will improve the quality of life in their areas."

The Minister believes local councils will listen more closely today than ever before: "One of the most gratifying changes I have experienced is growing confidence in the working of local government and the central administration. People now believe in the system, they know what the rules are and trust them to work clearly."

Today, he says, people are returning to interior towns such as Viseu, Castelo Branco and Lamego. Previously, they headed for Lisbon and Oporto or richer European countries. That is testimony to the improving quality of life in once neglected provinces into completing the main north-south motorway between Lisbon and Oporto, highway links to the main frontier crossings into Spain, a new bridge over the Douro River in Oporto, extending airports in Oporto and Faro, and improving railways. Aid from the EC's STAR programme is helping telecommunications go digital.

Modernising industry and agriculture involves not only investment in plant, machinery and infrastructure but also tapping funds from Community programmes such as EUREKA, to promote research and development, and VALOREN, to encourage the use of alternative energy sources, with the overall aim of improving competitivity. Education, with special emphasis on vocational and technical training, has been defined as the country's top priority for the coming decades.

Two restraints face Portugal in using Community funds as a springboard into the 21st century. The first is the country's administrative and technical capacity to prepare and implement enough sound projects to absorb the increasing flow of grants available. "After having practically no money for anything for 10 or 20 years, engineers in some areas are suddenly being asked to produce a project a week," said an investment specialist, "technical staff have responded to the challenge magnificently up to now, but only time will tell how far they will be able to cope as development continues to expand."

The second limit is the economy itself. As investment and consumption soar, partly due to the massive influx of Community funds, inflation has started to rise and pressure is growing on a yawning trade gap, due to heavy reliance on imported capital and consumer goods, and on the balance of payments on the current account, which may slip into a year end deficit of about $100m for the first time since 1985.

Rules requiring national financing for part of EC-funded projects, usually between 10 and 30 per cent in Portugal, also present the Government with difficult decisions over whether to turn down Community aid or relax efforts to reduce their massive budget deficit.

"Making choices and setting priorities for EC funds will prove steadily more difficult as the most pressing projects are completed," said Mr Joao Val de Almeida of the EC's office in Lisbon, "the next 10 years will be crucial."

Peter Wise

Ashley Ashwood

Demand for cable is high in Portugal as improvements are made to the country's telephone and power supply industries

Young people no longer have to go abroad to earn a living

Building a future at home

YOUNG PEOPLE, who for decades abandoned the grim, granite villages of poverty-stricken Tras-os-Montes to support their families with wages earned in Spain, France and Germany, are today riding motorcycles only a few miles into the nearest town to learn farming skills that will help them build a future at home.

In Braganca, capital of this remote north-eastern province, one of Europe's poorest regions, once-sleepy cafes bustle with jeans-clad youngsters attending European Community-financed Young Farmers' courses that will show them how to make modern profitable concerns out of the rugged lands their parents subsist on.

Vocational courses across the country are using grants from Brussels in the same fashion to change Portugal in intangible ways that extend beyond the bridges, dams and motorways whose road signs bearing the blue European flag testify to the physical transformation EC aid is producing in the Community's most backward member.

"Modernising infrastructure is crucial but it wouldn't make sense without a similar support for human resources," said Mr Luis Valente de Oliveira, the Planning Minister. His team, charged with setting priorities for the vast Community funds flowing into Portugal, is shaping the path of development for generations to come.

European cash is bringing about dramatic changes. Bankers estimate EC funds will add as much as one percentage point a year to growth of Portugal's gross domestic product up to 1992. No other Community member has enjoyed aid of an equal dimension. After annual trickles of pre-accession grants, EC funds jumped during the first year of membership in 1986 to Esc49.5bn($320m), net benefit of Esc30.4bn after contributions to the Community budget.

The flow doubled in 1987 to Esc99.5bn, for a net gain of Esc63.5bn. This year the government estimates aid will approach Esc157bn. In addition, the European Investment Bank (EIB) has pumped low-interest credit worth a further Esc165bn into Portugal since 1986.

The future promises even greater largesse. EC reforms mean cash from the European Regional Development Fund (FEDER), the main source of grants, will double over the next four years for poorer members such as Portugal, which currently receives between 10.5 per cent and 14.5 per cent of the Community budget in FEDER monies. Changes in EC philosophy have removed the danger that Portugal could become a net contributor to the Community. Instead, they ensure that the country will gain more than most from moves towards greater economic and social cohesion among the Twelve.

Portugal benefited from careful preparations made during years of waiting for membership. Major public investment projects, lacking only the finance, were ready for appraisal in Brussels almost as soon as the country joined. "People feared Portugal might not be able to come up with enough good projects to absorb the funds it was eligible for," said a foreign banker, "but the speed and quality of the first set of applications for FEDER funds impressed everyone."

No other Community member has enjoyed aid of an equal dimension.

Lisbon has also shown prowess in convincing the Community it needs substantial help beyond the basic structural FEDER, European Social Fund (FSE) and European Agricultural Guarantee and Guidance Fund (FEOGA) grants to recover from decades of underdevelopment that separate Portugal from the rest of Europe. Three special aid plans have been created:

The Specific Programme for the Development of Portuguese Agriculture (PEDAP) will provide at least Ecu700m over the first 10 years of EC membership to restructure farming, and discussions are underway to increase the funds available"

The Specific Programme for the Development of Portuguese Industry (PEDIP), now being completed, will inject Ecu500m of special grants into modernising industry over the next five years, a further Ecu500m will be channeled into the scheme from regular structural funds together with a limitless amount of EIB loans to which Brussels attaches the symbolic figure of a further Ecu1bn"

The Programme for Portuguese Educational Development (PRODEP), which the Community is expected to approve by the end of 1988, will supply an estimated Es420bn for education over four years, with about 70 per cent of finance coming out of EC structural funds.

EC entry came at a propitious moment for reaping maximum advantage from Community aid as Portugal emerged from recession to enjoy unprecedented economic growth and political stability during the first three years of membership. Private enterprise at first responded cautiously to new investment opportunities but has rallied strongly. "Half of our loans to industry are now going to the private sector," said Mr Dominique Cayancourt, EIB director in Portugal, "as Portuguese investors have come to realise the bank is not exclusively geared to government lending."

Investment priorities are clearcut in a country so underdeveloped in relation to its neighbours, with EC aid focused on removing what Mr Valente de Oliveira describes as bottlenecks to development. The philosophy underlying planning policy is to promote regional balance, developing the neglected interior to relieve the pressure on overburdened infrastructures in the more congested, industrialised areas that stretch along the coast from Braga in the north to Setubal, south of Lisbon."

Besides improving the quality of life with jobs and facilities that will make rural towns more attractive, developing transport and communication networks is crucial to render the interior accessible. Structural funds are being poured where increasing local government power gives people a greater say in their own affairs.

"The success of Portugal's membership of the EC is not just a challenge for the Government," Mr Valente de Oliveira says, "it is a challenge for every Portuguese."

Peter Wise

PORTUGAL 11

The most advanced European standards are to be equalled by the year 2000

How a simple message made education the priority

MINISTERIAL eyebrows may have flickered upwards at the government's first Cabinet meeting a year ago when Mr Roberto Carneiro, the Education Minister, asked his colleagues to watch a 10-minute video. The simple message of the World Bank film "Investing in Children" was that money spent on education pays a considerably higher return on capital than cash poured into factories and roads.

The effectiveness of that unconventional item on the Cabinet agenda became clear this autumn as the Prime Minister, visiting schools on the first day of term, proclaimed education the country's top priority for the coming decades. Portugal, he said, needs to invest in its children as never before to secure the well-being and economic growth that has eluded it for so long.

Mr. Carneiro, having convinced his fellow ministers, is now engaged in winning the country's support for a revolution that aims to transform education in Portugal — where currently only 14 people in every 100 have been to school for more than four years — achieving standards equal to those of the most advanced European countries by the year 2000.

"I believe we can mobilise people behind a drastic reform of the education system," he told the Financial Times, "they sense they can be protagonists of history. The Portuguese feel it is no longer their destiny to be labourers in Paris, maids in Bonn or garbage collectors somewhere else. But a tremendous effort is needed to close the gap that separates us from the rest of Europe."

The Minister's confidence matches the daunting challenge ahead. By 1992, in the first of three four-year stages, he plans to lower Europe's highest illiteracy rate from 15 to 10 per cent; increase the number of children receiving secondary education from 40 to 80 per cent; raise the proportion of students going on to university or college from 11 to 20 per cent; provide pre-school places for 75 per cent of children instead of 30 per cent and special education for 40 per cent of those who need it compared with 26.5 per cent today.

Portugal's educational renaissance entails other sweeping changes, including elevating the motivation, skill and social status of teachers; launching an Open University for 32,000 adult students; rendering rigid national curricula more flexible; giving schools the autonomy they need to integrate with local communities and providing them with the libraries, playing fields and computers they so badly need. The most essential change, however, will be one of outlook.

Education has been devalued by half a century of miserly investment and barren centralised control under the Salazar regime followed by a series of policy upheavals imposed by short-lived governments after the 1974 revolution. "Portugal is carrying a great collective burden," says Mr Carneiro, "...when a society loses faith in its schools it loses faith in its future."

EDUCATION TARGETS FOR 1992
As percentage of eligible population

	Portugal current	EEC average	Portugal 1992 target
Pre-school education	30	60-90	75
Nine years' schooling	40	95	80
Vocational/technical	6	50	50
Special education	26	-	40
Illiteracy rate	15	†	10
Higher education	11	25	20

† Less than 10 per cent

Children, parents and teachers point readily to what has undermined that faith. In recent years, pupils carrying their own chairs to school, or studying under umbrellas to shield them from leaking roofs graphically illustrate the shortcomings of scarce and dilapidated facilities. Of Portugal's 120,000 teachers, earning around Es55,000 ($358) a month, only half have been able to obtain any professional training. Until a new law this year, more than one in 10 teachers had to move from school to school across the country to find a post each year, regardless of families or housing problems.

Compulsory education, increased to six years after the revolution, was raised to nine years for children entering elementary education after 1987. Eventually, Mr Carneiro aims for 12 years of schooling, thus raising the minimum school-leaving age from 12 to 18. But as Portugal implements moves towards universal and extended education made by richer European countries 20 years ago, the school system has shown signs of collapsing under the strain. Each year 100,000 children abandon school before they are 15. The failure rate during the first four years of school is 40 per cent — a figure the Minister plans to reduce to the European average of 5 per cent by 1992. Child labour has yet to be eradicated.

Perhaps most crucial to Portugal's future is a change of attitude towards technical education. Technical schools were virtually phased out after the revolution in what was apparently intended as a move towards comprehensive education but ended up by generalising academic grammar school-style teaching.

In a poor country where education remains relatively elitist, social achievement tends to be measured in doctorates and the accompanying titles of "Senhor Doutor", "Engenheiro" or "Arquitecto" are still everyday forms of address in Portugal.

The result is that while administrators, lawyers and medical practitioners abound, there is a drastic shortage of an intermediary level of technicians, middle managers, agronomists and skilled workers — the kind of people, Mr Carneiro says, who will get their hands dirty and help make Portuguese industry and agriculture competitive.

Only 5 per cent of Portuguese youngsters receive any kind of technical or other vocational training, forcing Mr Luis Mira Amaral, the Industry Minister, to acknowledge that "a lack of skilled technicians and workers is currently the greatest restraint on our economic and industrial development."

Mr Carneiro aims to change this situation by channelling 50 per cent of students, the current European average, into technical education by 1992. Private industry is being encouraged to set up training schools with EC grants, new polytechnics are springing up and, in an exception that illustrates Portugal's pressing problems, European Social Fund investment has been approved to extend technical instruction within the state school system. "I look forward to the day when everybody in Portugal is just plain mister," says the Education Minister.

But changing attitudes will not be sufficient to transform Portuguese education. The government recognises that a "drastic increase in investment, both in quantity and quality" is required. Public spending on education is currently between a quarter and a third of the European average in per capita terms, exactly the same distance that separates Portuguese industrial productivity from that of its EC neighbours.

Despite the Prime Minister's commitment, Mr Carneiro faces some tough bargaining in Cabinet to maintain spending on education at 4.75 per cent of GDP — 12.8 per cent of the total government budget — as last year. To carry out the intensive investment he deems essential he has turned to the EC, drawing up a four-year special programme for developing Portuguese education expected to be approved in Brussels by the end of the year that should provided Es400m to modernise schooling in mainland Portugal, Madeira and the Azores islands.

Peter Wise

PROFILE: AMERICO FERREIRA DE AMORIM

A determined pioneer

LIKE THE great Portuguese navigators before him, Mr Americo Ferreira de Amorim is a pioneer - an easy charm failing to hide an equally steely determination.

As head of the Amorim group of companies, he has steered a course that has led the family firm from a basic business, supplying corks to the port and wine industries, to links with such European corporate buccaneers as Mr Robert Maxwell and Mr Carlo de Benedetti.

When their father died in 1953, eight sons found themselves with a business with sales of about $200,000 a year. Today, the group's 17 main, vertically integrated industrial units are expecting turnover to reach $185m with Americo indisputably at the helm.

According to analysts at James Capel, "the group as a whole is responsible for 31 per cent of the country's exports of cork and cork products or 22.78 per cent of world output."

In spite of this extraordinary level of market penetration, Amorim has not sat on its haunches. With extensive research and laboratory work, it has devised products beyond the stoppers and tiles businesses, continuously modernising to find new industrial applications.

Cork's unique qualities have helped. But Amorim has also been aggressive in creating markets. In recent years, for example, it has used new technology to batter its way past traditional suppliers into the highly-conservative Champagne industry and has now had to double its 100,000 capacity to meet demand from all the best-known producers.

Other uses range from insulation products to compounds with rubber for gaskets. Mr Amorim attributes much of the company's now prodigious growth to his own realisation as far back as 1962 that eventual Portuguese membership of the EC was inevitable, and the consequent early planning of new factories.

But it is only in the last eight years that he has begun a generalised diversification. So far only four of the group's subsidiaries publish reports, but Amorim has now entered, often as a minority stake holder, leasing, insurance and financial service activities.

Like other big family businesses in the north, he also strongly supported the creation of the Banco Commercial Portuguese when private banking was resumed. Other activities include beef farming and forestry, tourism, property, construction and textiles.

Aware of his reputation, foreigners have sought him out for joint ventures.

These have included a plan with the French Accord group, owners of the Novotel and Ibis chains, to build 25 three and four-star hotels. Amorim is also reported to have been offered a seat on the board of a new Carlo de Benedetti-led Europe-wide holding company to spearhead new investments and to be exploring possibilities in the property market with the British publishing tycoon, Mr Robert Maxwell.

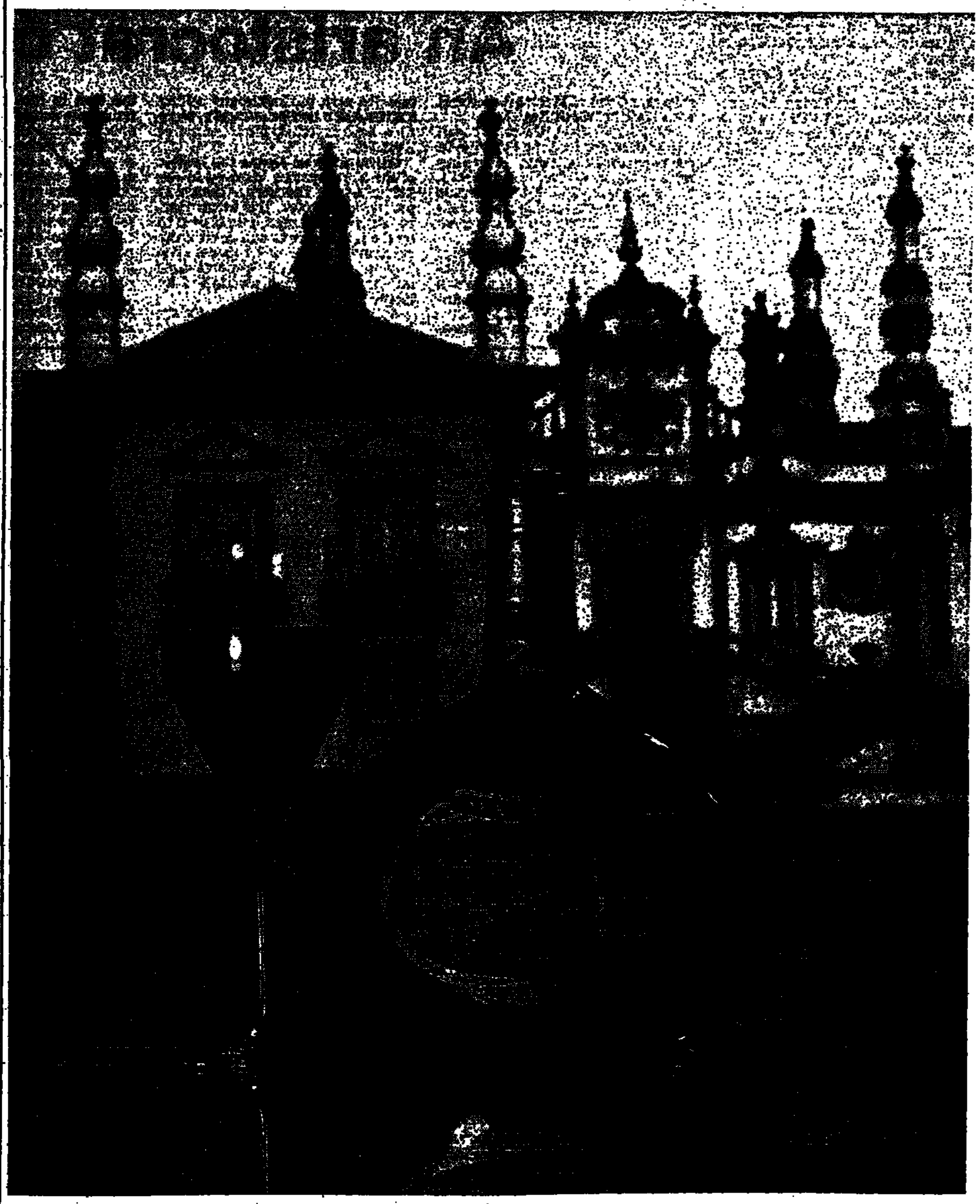
"Portugal is a small country and when you have a group, you have to think of new opportunities", Mr Amorim says. "Anyone who wants to grow must diversify."

Not least of these opportunities are the fruits of the new privatisation proposals now beginning to emerge from the government. Next year, Amorim plans to combine its activities in a holding company and issue stock on the Paris and Madrid bourses. A London quotation is expected to follow.

There will be no danger of takeover, however. Mr Amorim, who is reputed to manage with a rod of iron, is sufficiently traditional to insist that the family, and that means he, will always maintain control.

Ivo Dawnay

Funchal Bay, Madeira Island, an autonomous region of Portugal and a long-established holiday venue, especially popular with overseas visitors. Portugal last year attracted more than 16m foreign visitors, of whom 1.2m were from the UK. Madeira, along with the nine-island Azores archipelago — another autonomous region — both have regional parliaments and their own budgets. Madeira is also developing offshore banking and duty-free zones.



Being predictable may not win prizes with wine buffs but it pays off at the supermarket checkout

Product consistency leads to marketing success

WINE BUFFS celebrate their drink for its dramatic inconsistency. If that were not so, all that chat about affable, if presumptuous little vintages with full noses, would never have been invented.

Luckily, the accidents of weather, soil, grape variety and geography, have given loquacious connoisseurs plenty of material to amuse themselves, and, consequently us, although whether we laugh with them or at them depends on our own knowledge and pretentions.

Meanwhile, Portugal - arguably one of Europe's least pompous countries - has found out that adding a little predictability to the bottle may not win prizes in the panelled rooms of St James's Street importers, but tends to score at the supermarket checkouts.

There are few better examples of this than the *Mateus* wines, not so much an appellation as a brand, that last year sold 3m cases, representing about 3 per cent of Portugal's total wine production and 80 per cent of the total Esc5.5bn (£21.2m) sales of its owner company, Sogrape.

On the seductive charms of its sweetish rose and characteristic flask shaped bottle, Mateus has launched not only thousands of holiday romances but also Sogrape into the big selling league.

Recently, the parent holding company - now undergoing restructuring - has branched into port by buying the traditional house, Ferreira, and is also planning new launches of sparkling vinho verdes and wines from the Dao region, also in the north.

The company's success has led to diversification and investments in a range of activities that embrace, banking, property and hotel development, agriculture and even engineering ventures.

But it remains the achievement of a consistent product that concentrates the Sogrape wine business on creating and marketing. Mateus now claims to be market leader in West Germany's rose sales and an astonishing 20 per cent of all Italian wine imports.

This year, Portugal's wine makers have suffered a disastrous crop, perhaps 40 per cent down on 1987, that underlines the vulnerability of production to the vagaries of the weather. But its lesson of the value of identifiable branding has been noted by other Portuguese wine companies, like Lisbon's Fonseca, which is now doing well with a rival rose, Lancers, in the US market.

This is not to say that several regions could not produce the equivalent of high quality chateau bottled wines, given investment. A recent visit by members of the distinguished Institute of Masters of Wine concluded that, in some respects, Portugal paralleled Italy's industry several years ago.

But in the short term, it is branded wines that look set to ensure a guaranteed place on the supermarket shelves.

Sogrape is now planning three new products including a Dao, a vinho verde, and a more costly *'special reserve.'*

While admitting being a brand-orientated company, Mr Salvador Guedes, recently in charge of European sales insists that low cost and quality is not part of the game plan.

"We are not competing in the lower sector of the market so we are not worried about cheap wines coming in from Europe," he says. "Our main worry is about parallel trading and our positioning in various markets.

"A Portuguese supermarket could easily sell our wines which are lower priced here to the UK, and make a profit - this has already happened."

The shadow of 1992 holds few fears, however. If lower tariffs are unlikely to boost exports radically Portuguese low incomes and residual chauvinism should keep the foreigner from damaging total sales which last year were just less than 900,000 hectolitres worth Esc5.7bn.

Small farmers must continue to battle with the elements, but are unlikely to be forced to grub up vines as their total output and long established regulatory system means they can claim not to be contributing anything to the notorious wine lake but merely meeting local consumption.

Indeed, technical grants from both the EC and the World Bank are helping modernisation and efficiency.

The caves of Taylor's the port maker in Oporto. Sales of port have been rising steadily and it is finding new markets far away from gentlemen's clubs

For the venerated port industry, the pile it high, sell it affordable philosophy is hardly natural style. Not least, the long lead times and complexities of production, diversity of brands and vintages and a total generic promotions budget of less than £500,000 make Mateus style success neither feasible nor desirable.

Nevertheless, the growing affluence of young people and status attached to the drink appears to have found new markets hardly identified with the port-and-wine pub drinkers or the gentlemen's clubs.

Since the big shake-out in the 1960s when swooping multi-nationals like Seagrams led at times to despair in the huddled wineries on the Vila Nova da Gaia quayside, a quieter industry has enjoyed consistent growth.

Export volumes have increased from 410,000 hectolitres in 1976 to 684,000hl last year with total sales now valued at somewhere around Esc25bn - still above the earnings of wine.

"The companies are now in a fairly good financial state," says Mr Antonio Filipe of Cockburn, now part of Allied Lyons' Harvey's of Bristol group. "Nobody is going to disappear unless they want to sell out."

France and Belgium, which drink port as an aperitif, account for almost half all foreign sales, while Britain's 12 per cent of the export cake concentrates heavily on higher-value vintages. There is also new and healthy interest in the US whose purchases have more than doubled to 12,300hl in the last four years. The Far East shows promise.

Compound growth averaging 5 per cent a year since the mid-seventies is about as fast as the industry can manage, Mr Filipe believes, particularly in the light of this year's disastrous crop.

Port shippers, one feels, would like to consider their relationship to Portugal's bulk brand wines to be about as close as that of the Reform Club to a Tesco supermarket, though many produce it as a by-product.

As a whole, however, the country seems to be ensuring that the traditional ecological balance between connoisseurs and guzzlers is kept profitably in balance.

Ivo Dawnay

PROFILE: JOAQUIM MANUEL CALEM

An aristocrat of the port trade

ENSCONCED IN his ancient, low-beamed dockside office overlooking the port warehouses of the River Douro, silver-haired Mr Joaquim Manuel Calem appears the very model of the traditional Oporto patriarch.

Indeed, he has recently strengthened his iron grip on A.A. Calem Filho Limitada by lifting his personal shareholding to 80 per cent, even though the only other two owners are close members of this own family.

"One likes to ensure control," he smiles, "though I admit it is rather going against the modern flow."

Such sentiments are common among the old strong-willed aristocracy of the port trade. Mr Calem himself found his father and uncle's management of the family company sufficiently dogmatic to keep him away from the business until 1974, preferring to serve his apprenticeship as a General Motors dealer and with National Cash Register.

Founded in 1859, Calem's began as a port trader ferrying the wine in clippers to Brazil and returning with cargoes of tropical timbers. Today, one division of the business concentrates on stocking and selling special steels and acting as agent for Sweden's SKF.

It also distributes such prestige products as Hine cognac and Bollinger Champagne, alongside its own Douro table wines through its distribution company, Vinus.

But the core of the business remains port, producing and selling 300,000 dozen bottles annually, more than half exported, for a return of Esc2.5bn.

Calem is by no means the largest of the 22 companies involved in the £130m-a-year industry, though it produces Velhotes, the home market's favourite brand, and claims to be the last family to still control the company that bears its name. (The Taylors, Warres and Grahams have all long since been swallowed by larger groups.)

Such proud boasts, Mr Calem hopes, could spark new growth for the firm in the future. For so far, unlike the astonishing fashion-influenced surge of the single malt whisky market, port's growth remains on a more gradual, though definitely upward trend.

But there are hopes that greater consumer discrimination and the selling power of exclusivity will continue to contribute to the company's steady 5 per cent to 10 per cent a year increase in highly competitive export markets.

"The problem is that port markets are different," says Mr Vasco d'Avillez, Calem's senior vice president, formerly with Heublein and IDV. "Each has to be treated especially. We are hardly going to dictate social convention to the French, for example, who drink port as an aperitif."

Mr Calem has, however, been dictating a substantial new investment programme, increasing land in production, expanding and modernising plant and pursuing his declared aim of 'quality, quality, quality' with the creation of single quinta (vineyard) and late bottled vintages.

Like other producers, he believes that only by cutting out exporting in casks in favour of in-plant bottling can more value be added locally, though a quarter of his own exports go under the labels of such buyers as Safeway and Argyle.

The prospect of an explosion in sales like those of Macallan or Glenmorangie is limited, however, by the very nature of the port production business and the long maturity periods required.

Currently, Calem's is not seeking to achieve volume growth of more than 10 per cent a year and neither are Saatchi and Saatchi set to win a new account.

"It is a question of lots of imagination, regularly brought down to earth by common sense," Mr Calem says. "We can't possibly fight the big groups, but I believe a good product plus good service sells itself."

As if to prove it, he happens to be the Portuguese agent and franchise holder for two other companies that do just that - sports car-maker, Ferrari, and the phenomenally fast-growing natural cosmetic products chain, The Body Shop.

"The Body Shop doesn't believe in marketing but puts all its cash into the products," Mr Calem observes admiringly. "You get the customers by just opening the doors."

Perhaps, for a port shipper, canny Mr Calem is not really quite so conservative as he first appears.

Ivo Dawnay

Spinning machine in a Portuguese textile factory: this industry directly provides 220,000 jobs

Weaving in Portugal: textile output is equivalent in value terms to 25 per cent of Portuguese production

The textile industry is warning that a nationwide collapse could be just around the corner

Sector's leaders seek government intervention

PORTUGAL'S textiles industry is feeling harassed.

Although frequently held up by the government as the quintessential example of the capabilities of the country's industrious private sector, the sector's leadership is now warning that, without government intervention, disaster is imminent.

The lion's share located in the tiny golden triangle of Porto-Braga-Guimaraes in the northern region, textiles are the largest earner and employer outside agriculture giving jobs directly to some 220,000 and providing a prime source of income to 800,000 more.

Last year, the industry sold about 60 per cent or Esc41.6bn of its total production abroad - a third of the country's total foreign earnings. In value terms, overall output is equivalent to one quarter of all Portuguese production by manufacturing industry. Of this, 70 per cent is in higher value, ready-to-wear clothing, with the remainder scattered through fibres, yarns and weaving.

But in spite of these proud boasts, leaders of the hundreds of textile companies spread across the country are warning that a nationwide collapse is just around the corner.

Mr Alexandre Pinheiro, head of the ANIVEC clothesmakers' federation and a militant campaigner for the industry, argues that double-crossing by the European Community and inadequate backing from Lisbon has systematically undermined potential growth since the revolution stagnated production in 1974. "Since then, the industry has grown little and badly", he says. "We are now suffering from problems of investment, lack of bank financing and from lack of flexibility in employment laws.

"But chiefly, the problems stem from the EC's failure to meet its commitments, and its imposition of quotas and restrictions on sales."

Mr Pinheiro argues that when Portugal was a member of the European Free Trade Association (EFTA) its access to EC markets was far greater than it is today. Now countries like the UK and France frequently impose licenses and unit-quantity quotas with little or no prior warning, thereby damaging production schedules and leaving companies with unsold stock.

While imports have increased eight-fold, in just the first year of EC membership, Portugal's access to the market has for the first time been seriously hampered, he alleges, with an immediate impact on profits.

Many companies are exporting at break-even prices simply to maintain market share.

Mr Pinheiro now claims that mass unemployment and even "social unrest" are just around the corner if a new agreement with the EC is not negotiated. Such an alarmist view does not appear to be shared by government officials. Nevertheless, they accept that a fundamental restructuring of the industry is a pre-requisite to success in the longer term.

Mr Antonio Taveira, a director of the northern region planning committee, argues: "Textiles and clothing have been on the verge of crisis for years, but always seem to get through, due to its strong capacity to adapt.

"Nevertheless, it needs to be able to diversify its complementary activities, not least in small scale machinery for industry."

In part, it is scale that produces textiles' greatest problems. The average factory in the region employs less than 50 people. Large or medium-size companies will farm out contracts to a substantial number of these small firms, thereby ensuring that if one goes bankrupt others are ready to take its place.

But the advantages that this flexibility brings problems for raising investment finance. As long as Portuguese salaries remain competitively low with the rest of the EC, all should go well. But if they rise substantially, then alternative suppliers like Turkey, Morocco or the Far East will prove more attractive.

One foreign banker claims that while there are a number of well managed and capitalised big-players in the industry, he is flooded with loan applications for new technology from medium and small-sized firms with inadequate management expertise or collateral to prove an acceptable risk.

But he adds: "The last three years have been good for textiles and footwear with a number of new companies forming - there has now to be a greater concentration on merging and rationalising existing businesses."

Incoming investment from abroad has accelerated somewhat recently, with West German and Scandinavian companies showing most interest. But the attractions of local conditions are inhibited by poor infrastructure and communications.

For Mr Pinheiro, the only guarantees against a downturn lie in boosting the reputation of the country's product internationally and developing local brand names, sold under the 'Made In Portugal' label.

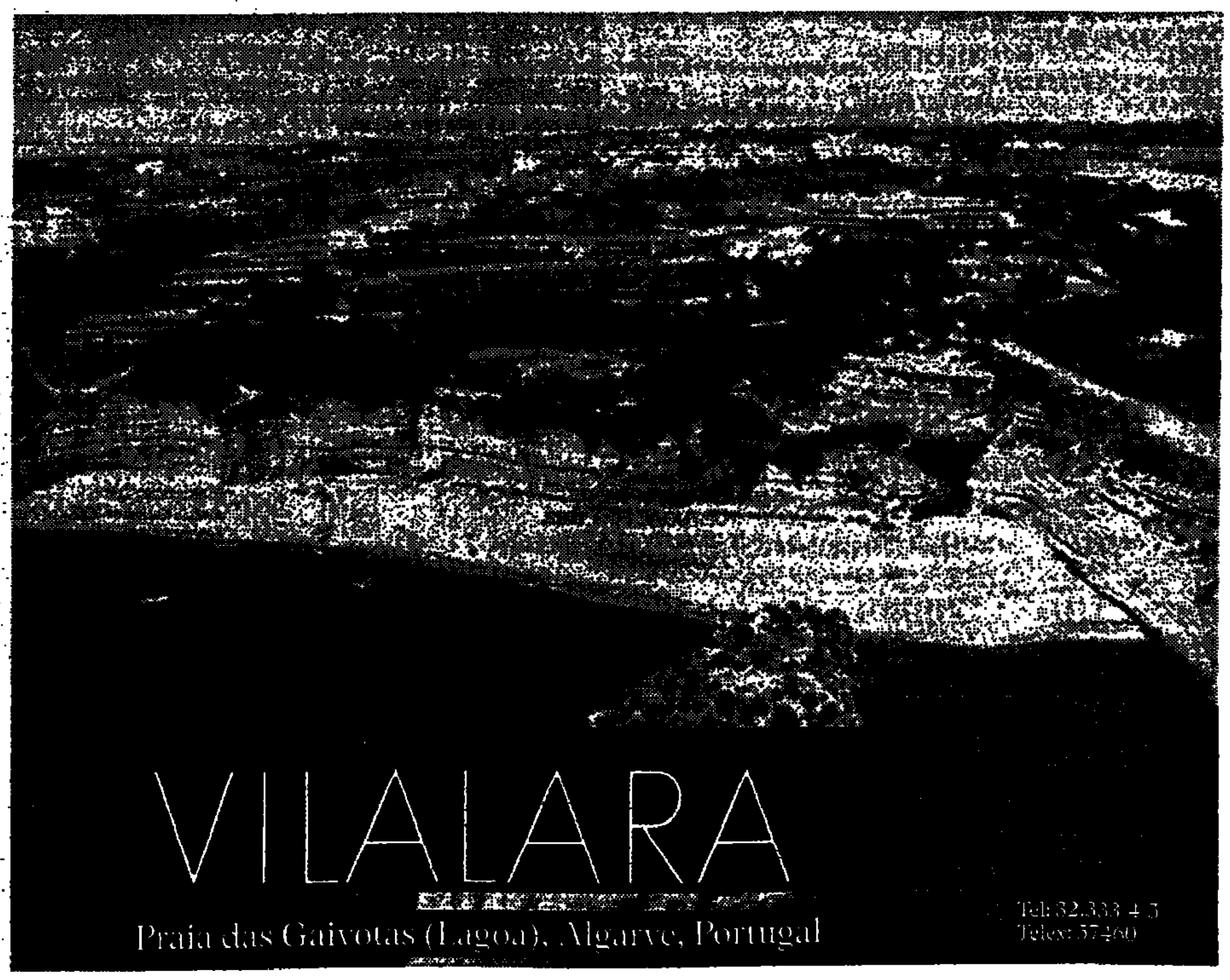
"Recently, we have had a great increase in quality", he says. "But this has been swallowed up by other people's brand names disguising the country of origin."

Efforts are now underway to promote Portuguese design at international trade fairs, the first of which was held in Oporto last month.

But in the end, Mr Pinheiro remains insistent that only a centrally directed government policy, extending temporary protection for the textiles and clothing sector, can give a breathing space from foreign competition. He says that 12 years, he says, are needed, to allow the industry adequate time to readjust.

Whether of not this is true, the momentum towards the 1992 deadline for a barrier-free Europe makes it look highly improbable.

Ivo Dawnay



Fishing continues, often amid the bustle of the tour coaches and sightseers

A Lisbon tram: now they are a must for visitors to the city

TOURISM

Lisbon takes to the boats

CRUISING on the river by day or night has become the way to see Lisbon from a novel angle.

It has long been known the city, with its higgledy-piggledy old quarters looked good from the river Tagus, especially at sunset when the old place turns a delicate pink.

But until lately to see Lisbon from the water you had to be either rich and own a boat or be a modest commuter on the ferries plying the Tagus.

Now that has all changed. Waking up a little late to the notion that many visitors like to do more than clamber on and off tour coaches, the city now offers between May and September two hour boat rides by day or night - the latter prettily titled Lights of Lisbon (which include dramatically-floodlit monuments along the waterfront and further up the hills).

Everywhere, municipalities, after past neglect, are restoring local monuments

Landlubbers who shudder at the thought of a chug among the tugs, ferries, cargo vessels and luxury liners that frequent the Tagus have another choice a 90-minute tram tour, clanking and creaking up and down narrow, cobbled streets where bus drivers fear to tread and motorists honk and gesticulate because they are stuck behind you in streets where a fat cat can barely squeeze between tram and wall.

Trams have been here since the 1880's. But until 1988 no one thought of making a tram tour a daily tourist attraction.

Late blossoming ideas are symptomatic of the time it has taken Portugal to understand how to show off its history and picturesque colour to paying customers from Europe, the Americas and increasingly the Far East.

For too long Portugal was generally confused abroad with an impersonal Algarve where you went on the cheap to bake in the sun.

Like other nations blessed with long sunny seasons, Portugal is now uneasy about the downmarket packaged British holidaymaker - not least his gift for alienating bigger-spending, visitors unhappy at the prospect of sharing a resort with the segment of the enterprise culture whose manners stayed home with the thermal underwear.

Quality tourism has become a shibboleth for the country - including an Algarve now investing in tennis courts, yacht marinas and golf courses to attract more prosperous year-round visitors, in luxury developments offering green space, in hotels able to cater to conventions or conferences without bursting at the seams and in efforts, somewhat belated, to block the more awful symbols of downmarket tourism: grim grey high-rises, tacky shops and restaurants.

To the North owners of manor houses and less grandiose establishments are doing bed and breakfast that in some cases can stretch to lunch or dinner that has caught on with visitors with cars who like to savour the quaint flavour of Portuguese rural life.

Everywhere, municipalities, after past neglect, are restoring and primping local monuments, churches and castles, museums, squares and gardens, and taking more pride in their heritage. Cafe and restaurant owners are repainting and polishing, buying new furniture and bright new awnings to replace grubby old stuff that should have been thrown away years ago.

Eagerness to preen for visitors and welcome them more elegantly is part of a rebirth of national pride that comes with political stability, economic growth, EC membership and EC structural funds that help finance local development.

More polish and self-promotion that invites visitors to see more in Portugal than sun and sand, have paid off: even in this hideously-rainy year until July when the sun came and stayed out, tourist revenue has gone up and should net $2.5bn by December - 23 per cent more than 1987 (which was 40 per cent higher than 1986). The number of visitors should exceed 15m (1½ times the population of Portugal).

The vast majority of visitors comes from Spain which finally discovered *its* neighbour when it joined the EC in 1986 and now flocks in, creating monstrous traffic jams at the frontier, shopping or dining, sightseeing and exclaiming "Mira, hombre,que raro" (How curious), and returns to Andalucia, Extremadura or Castile convinced it has been on an adventure.

Well...it is an adventure to enter the house of a neighbour whom you have studiously ignored for most of his life - and find him not as impossible as you thought, but shy yet happy to show you his newly-burnished treasures.

Diana Smith

Markets are always popular with the tourists

Water theme parks on the Algarve, like this one near Portimao, have become big business

MUSIC

Old attitudes challenged

SAY FLORENCE Foster Jenkins to a music lover and they will shudder.

Mrs Foster Jenkins, a wondrous 1930's matron used to hire Manhattan's Carnegie Hall and before a delirious audience, with her brave accompanist Cosmo McMoon, blithely assail some of the toughest arias ever written for sopranos or mezzo sopranos - she wasn't fussy about the range.

Strong men wept when Florence warbled - if that is the right word - the Queen of the Night's aria from Mozart's Magic Flute, the Bell Song from Delibe's Lakme or other feats of strength many famous sopranos studiously avoid.

Later generations are privileged to share the bliss of those 30's nights thanks to recordings of Mrs Foster Jenkins' unique contribution to music.

She could not sing. This did not deter her from performing with a bravura rare in the annals of musical history. But basically, she could not phrase, rally sufficient breath to hit low, never mind high, notes, or hold a tune. She was a tone-deaf innocent with total faith in her talent and if you do not mind sore eardrums, her recordings are pure, unconscious comic genius.

Over the years Portugal has suffered somewhat from the Foster Jenkins syndrome: too many uncertain singers, or indifferent instrumentalists and conductors who achieve the interesting feat of making Mozart sound like Bela Bartok.

They lacked Mrs Foster Jenkins' Grand Guignol hilarity, but they have offered difficult evenings to audiences too polite to throw epithets or tomatoes as an angry Italian public would, at under-talented or under-practised performers whose confidence generously exceeds their ability.

Portugal is not lacking in talent but sometimes the grind of studying and the punishing practice, the discipline of starting at the beginning, not presuming to know everything after three lessons at the Conservatory do not come easily.

Musicians perform too soon or too casually for their or the audiences' good and their slapdash approach detracts from the reputations of many good and hardworking musicians who have tried to set high local standards and make an international career as well.

Patronage of music has been shaky, too, apart from erratic and miserly government backing, or support from the 32-year-old $1bn Calouste Gulbenkian Foundation, which provides scholarships and has its own orchestra and ballet company.

The Gulbenkian orchestra can play well under martinets, and rather less well when given its head... not so much a lack of gifts but of a tough resident conductor pushing for consistently-high standard.

Outside the Gulbenkian, Portugal's few symphony orchestras suffer from lack of money, morale and players. The radio orchestra when it gives concerts must fill seats abandoned years ago by fed-up players, with green Conservatory students who can barely read a score.

But times have suddenly changed. A new force is challenging old attitudes and drawing joyful audiences. It is called the Nova Filarmonia Portuguesa - the New Portuguese Philharmonic.

Only five months old, the orchestra has proved a that Portuguese ensemble can not only play in close harmony but innovate and exhilarate.

It is the work of an obstinate man - the composer and conductor Alvaro Cassuto, Portuguese-born son of German-Italian refugees.

Now 46, Mr Cassuto first studied conducting in Portugal then in Vienna with the legendary Herbert von Karajan. Winner of the prestigious Sergei Koussevitsky prize for conductors, Mr Cassuto has worked with Leopold Stokowski's American Symphony, with the National Orchestra of New York, and with the Rhode Island Symphony - and has taught conducting at the University of California at Irvine.

America also taught him how to raise funds for music - stepping stones for Mr Cassuto's stubbornly-nurtured dream of founding and leading a top-rank professional Portuguese orchestra that would make beautiful, accessible music and enhance the country's reputation.

He nursed the dream for 20 years before he could give the country of his birth a 38-piece roving orchestra made up of highly-talented young Portuguese and foreign musicians who give enjoyment to a new public and inspire other young musicians to try harder.

Remarkably few businesses dared say 'No, thank you', to Mr Cassuto

Alvaro Cassuto first suggested his idea in 1969, applying for backing for a travelling orchestra. No one was interested, so he pursued his American career, conducted sporadically in Portugal, unhappy with the quality of orchestras, and dreamed his dream.

Finally Portugal's 1986 Arts Sponsorship Law that gives businesses 45 per cent tax relief on contributions to the arts, made the Cassuto dream feasible.

Starting last October, he canvassed Portuguese and foreign companies and local municipalities (studiously avoiding the government) for help in setting up and operating his orchestra. Remarkably few businesses dared say 'No, thank you', to Mr Cassuto who is not only an iron-willed maestro but past master at persuading entrepreneurs to put their money where his music is.

In six weeks there were enough pledges to get started, audition young musicians at home and abroad, and offer a year's contract to the core of the Filarmonia: young but established American, Czech and Bulgarian groups of wind and string players who would both perform and give master classes in the provinces - a fundamental part of the creation of a more professional and ambitious generation of Portuguese musicians.

Nine young Portuguese trainees were hired who, contrary to local practice, would not be allowed to play a note in public until they were of sufficient calibre. Mr Cassuto urged musicians and sponsors: "Join us and indulge your sense of adventure."

Portuguese players, full orchestra members or trainees, have risen to the occasion with a zest that proves that disciplined talent has been waiting for a catalyst and fitting showcase.

Having winkled nearly $1m for his first year's budget out of sponsors like Ford, British Petroleum and Shell, and major nationalised or private banks or groups - Tabaqueira, Portucel, Caixa Geral de Depositos or Banco Comercial Portugues, RAR, SONAE and dozens of others, Mr Cassuto is now hitting them for next year's needs - larger because the orchestra will increase to 44 players, making its way towards large orchestra status a few steps at a time.

Between its debut in late May and mid-September the Filarmonia gave 54 concerts - an unheard of number for Portugal. It played everywhere: cities, large and small towns, in cathedrals, medieval ruins or palaces, cinemas, hotels or humble parish halls - wherever there was an audience, Mr Cassuto and his players got on the bus and took music to the hinterland.

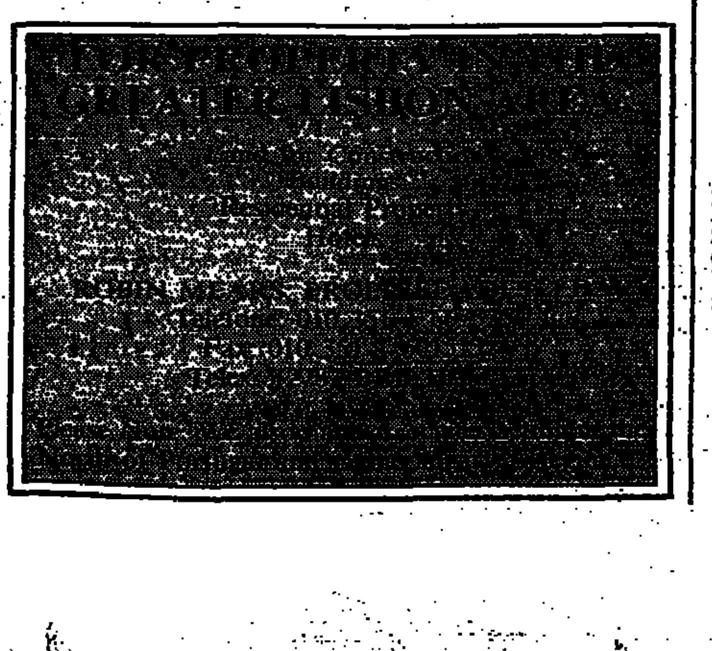
People responded with wonderment. Children crept up to the musicians' platform at sat at their feet, entranced young local musicians begged to be included in master classes and began to dream of one day being a Filarmonia trainee.

Though small for now, the Filarmonia sounds as mellow and expansive as a big symphony orchestra. Its velvety, bold quality has led Portuguese music critics, unused to not making excuses for erratic players, to rave, and audiences to bang their hands together as they rarely have in the past, no longer out of mercy for the misguided creature on the stage but out of sheer pleasure.

National pride has taken a vitamin shot and the birth of the Filarmonia has forced other Portuguese musicians to take a hard, critical look at themselves.

As fast as you can say allegro con brio, the Nova Filarmonia is shooing the echoes of dear old Florence Foster Jenkins off the local musical stage.

Diana Smith



Farmers throughout the country are beginning to come to terms with the Common Agricultural Policy

A determined assault on agricultural traditions

FARMERS everywhere hate weather. In Portugal, where valiant efforts have been made in two years to correct centuries of mistakes, newly-ambitious farmers had ample cause to detest the elements this year.

In October 1987, the rains came, stayed and damaged what should have been record crops.

But this July the sun returned. Once the damage was assessed and partially-repaid by the authorities, the farming community began to plan for the future again, no longer simply as Portuguese farmers but as members of the EC and its complex Common Agricultural Policy.

EC membership has forced drastic consciousness-raising on to Portuguese farmers and officials. The experience is as salutary as a maximum-strength tonic. Initially it tastes so bitter you can barely stand it but after a while you function better than ever.

Portugal joined the EC with one of those paradoxes that make it so endearing: yields and quality were a quarter or at best half of European averages but prices to the producer soared above EC levels.

Between now and 1996, prices of grain and of milk must drop to (descending) EC levels.

Milk, whose price was 30 per cent above the EC's has almost levelled already and production is rapidly becoming more efficient in fast-changing market conditions.

Domestic consumption of dairy products, while growing over the last 20 years, is far below EC levels.

The Portuguese drink 60 per cent the amount of milk compared with their EC partners. For butter it is only 19 per cent of butter and 30 per cent for cheese.

Diet habits are altering, though, and the local dairy industry is keen to create a niche before it has to face free EC imports when its protective transition period ends.

Grain prices, meanwhile, were 70 per cent above the EC's, and are slipping down a little each year. Now farmers are being urged to consider growing something else in the Alentejo - cork trees, cotton, sunflowers and jojoba beans (used for cosmetics), or to breed sheep for meat, since lamb is in short supply in Portugal.

In other parts of Portugal where less-suitable crops have been grown by generations of farmers, new habits are being fostered. In the fertile Ribetejo valley, where the best soil is found, farmers are helped financially to rip up vin ordinaire vines that have no place in the EC's wine list ($850,000 of inferior vineyards were destroyed in 1987), and to grow corn or fruit and vegetables, for which there is a market.

In the Algarve, coexisting with tourist projects, farmers are going into intensive fruit and salad greens production of citrus fruits for EC markets, is increasingly in greenhouses that spared them the worst rain damage(this year).

In the north people who once grew a bit of kale and a few ears of corn for silage for their cow or chickens are getting into kiwi fruit, while wine growers are goaded into consistent quality in new demarcated regions.

It is only the beginning of an assault on rusty agricultural traditions, ahead lie years of intensive funding, concentrated training, nagging and learning of an intensity this country, with Europe's worst agricultural record, never before contemplated.

The verve with which officials in the Ministry of Agriculture tackle their immense labour will not by itself transform Portuguese agriculture into a consistently-productive enterprise faster than you can say European Fund for the General Orientation of Agriculture, but it is exhilarating to observe the disappearance of decades of political rhetoric and the birth of enthusiastic common sense.

The task is enough to daunt even the most enthusiastic. Two thirds of Portugal's 800,000 farmers are over 55 (a third are over 60). Rural illiteracy is three times higher than the national average. Spreads are tiny and hard to run on a commercial basis.

Farmers' Co-operatives are more buying-selling operations than the producing form of co-ops needed to achieve smoother organisation, distribution and marketing of farm produce. Individualism is rampant making it hard to shepherd farmers into EC-style associations. Soil is often unstable and in often more suitable for forestry than farming - but say this to most farmers and they bristle at the implication that they are only fit to grow trees.

Financial resources are scanty: even with massive EC assistance, the state budget must find matching funds out of a tight purse. In 1987 Es57bn($370m) - grants, loans, infrastructure and private investment, was pumped into Portuguese agriculture, more than ever in the country's history.

In the view of the authorities, the answer to many problems lies in new young farmers. Properly-trained, heavily assisted with grants and cheap loans, urged to think bigger than their elders and look to the market forget about growing any old thing however badly.

The philosophy has started to pay off. Under the grant system provided by EC Regulation 797, 2,100 of the 5,000 projects approved are from young farmers who, in some cases can get grants for up to 68 per cent of their investment.

The average young farmers' investment - about Es10m - is double the average for the 8,500 projects submitted, and being processed as fast as possible.

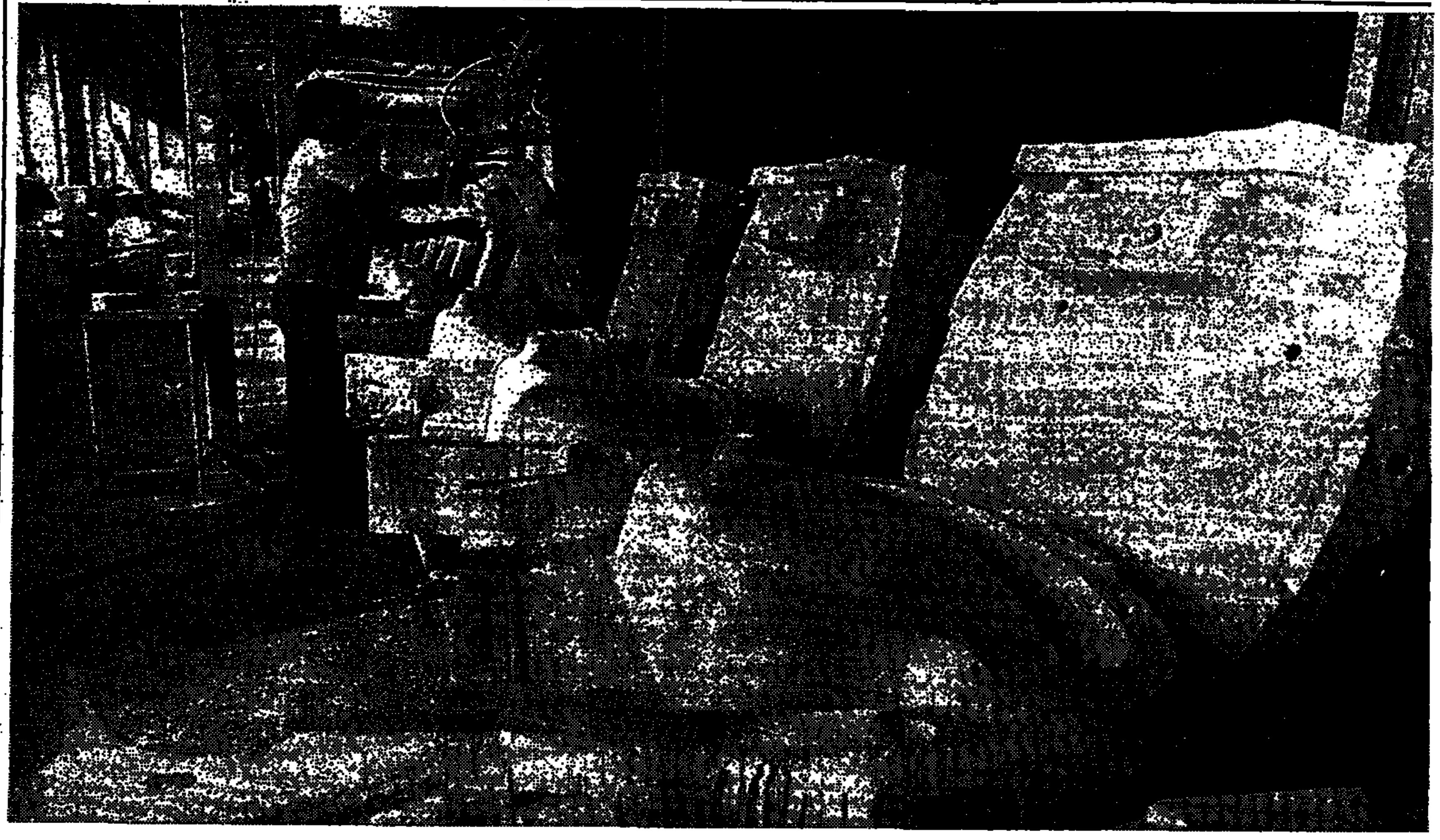
The young farmers are buying land from older farmers and most importantly, they are associating.

Regulation 797 is not the only support for Portuguese agriculture: a special 10 year Ecu7m support programme set up by the European Commission, finances major, officially-designed infrastructures (rural roads, electricity, irrigation, drainage) or special programmes like cork and wine improvements. Regulation 355 finances agri-business and market organisation projects. By June 1988 Es16bn of investment projects by young farmers had been approved and Es19bn of projects by other farmers - a tremendous boost to agriculture.

As important as the injections of funds is the new sense of professionalism spreading through Portuguese farming. While unlikely ever to become the 'California of Europe', due to drawbacks of size, soil and weather - the role of Europe's California suits southern Spain more comfortably - Portuguese farming, once it has grasped the techniques of the 20th century, and the basics of picking, packing, marketing and accounting, should be able to find its own niche as a producer of out-of-season fruit and vegetables for Northern Europe of quality if never massive quantity.

Diana Smith

For Portuguese farmers years of intensive funding and concentrated training lie ahead



Ceramics manufacture is one of Portugal's leading industries but the companies involved tend to be small with few employees

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FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday October 12 1988

INSIDE

Keep taking the poison pills

The decision of Mr Joseph Rice (left), chairman of Irving Bank, to throw in the towel and submit to the embrace of Bank of New York, has brought to an end a year-long battle which raised important questions about US takeover tactics. But it is unlikely to mean an end to the use of "poison pill" defences adopted by increasing numbers of US companies. Page 27

A partner for Liffe

It has taken more than 18 months of talks, but the London International Financial Futures Exchange and the London Traded Options Market yesterday published a set of joint initiatives which should help them maintain London's pre-eminence as the leading European centre for derivative products. However, a full-scale merger seems out the question for the superficially similar but structurally quite distinct markets. Page 31

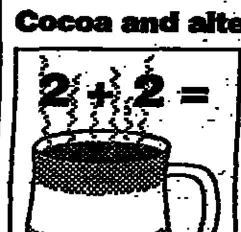
Telephonic lines of defence

Access to the 20,000 UK business customers that Telephone Rentals supplies with telephone exchanges could work wonders for Mercury Communications, the Cable & Wireless subsidiary. Mr Gus Moore, TR's managing director, is not challenging this commercial logic in his defence against C&W's £284m hostile takeover bid. Instead, he argues that C&W is not bringing anything in return, and the offer price of 305p per share is nowhere near what TR is worth to C&W. Page 36

Cream of Swedish profit making

The recent period of acquisitions, a programme of cost cutting and increased investment on research and development have stimulated a strong revival at Alfa-Laval, the Swedish dairy equipment and process engineering group, where profits have increased by 27 per cent in the first eight months of 1988. Progress has been made in all the company's business areas, with orders during the period climbing by 21 per cent. Page 28

Cocoa and alternative arithmetic



Not a lot changes in the Ivory Coast, be it politically or climatically. Its decision to hold firm on the price that the country's cocoa marketing board pays Ivorian farmers, however, is a defiant gesture towards the world cocoa market. Simple market mathematics alone would have made a price cut the logical choice. Nicholas Woodsworth looks at why the world's largest cocoa producer has chosen to fly in the face of conventional wisdom. Page 46

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)			
Falls			
Lufthansa	150.2	−	5.3
Siemens	486	−	10
Henkel	462.5	−	9.5
NEW YORK ($)			
Rises			
Digital Equip.	99⅞	+	1¾
Kimberley-Clark	64½	+	2¾
Tambrands	56	+	1¼
V.F. Corp.	33¼	+	1⅛
Falls			
Kroger	55	−	2⅝
Tenneco	49⅛	−	⅛
PARIS (FFr)			
Rises			
De Dietrich	1745	+	95
Falls			
Ingenico	384.5	−	28.6
Promodes	2136	−	113
Fives Lille	150	−	7.9
GTM Entrepose	630	−	31
TOKYO (Yen)			
Rises			
Nichiro Gyogyo	565	+	60
Yamaha-Shin	380	+	40
Japan Line	424	+	39
Falls			
Hkone Tzan Rl	2000	−	260
Hoshai	1620	−	110
Kagome	1520	−	80

LONDON (Pence)			
Rises			
Blue Circle	465	+	6
Burton Grp.	212	+	8
Hawker Sidd.	538½	+	13½
Joseph (Leo.)	453	+	18
Lonrho	335	+	10
MB Grp.	273	+	12
Plaxton	201	+	8
Redfearn	529	+	63
Rush& Tompkins	303	+	26
Sears	140½	+	8½
Stoddard	48	+	5
Wardle Storeys	631	+	7
Wimpey (Geo.)	282½	+	13
Falls			
Abbey Life	305½	−	8½
Beecham	489	−	10
Cons Gold Flds	£12 11/32	−	[illegible]
Glaxo	£10⅞	−	[illegible]
Lloyds Chem.	127	−	9
Ratners	192	−	24
Ryan Int.	130	−	8
Saatchi & S.	360	−	8
Travis& Arnold	560	−	18
Wassall	248	−	10

KKR drops bid for $5bn Kroger LBO

By Anatole Kaletsky in New York

KOHLBERG Kravis Roberts, the leading US leveraged buy-out group, yesterday withdrew its offer to buy Kroger, the country's second largest supermarket chain, for $64 a share or $5.03bn. The withdrawal could have important implications for future takeover battles on Wall Street.

In a strongly worded statement, KKR attacked the Kroger board for refusing to enter into negotiations to improve the offer. Some arbitrageurs on Wall Street saw the buy-out firm's move as merely a tactical retreat.

Kroger's share price fell $2⅝ to $55⅛, reflecting the growing likelihood that the supermarket group's own restructuring plan may prevail.

The KKR proposal for Kroger appeared to mark a climax in the trend towards increasingly hostile leveraged buy-outs (LBOs). The early LBOs were mostly initiated by corporate managements, sometimes as a way to escape hostile takeover bids from outside. However, as firms like KKR acquired more power and attracted ever larger pools of institutional money, they began to take the initiative in many LBO proposals. Until Kroger, however, KKR had never publicly made an offer to buy a company without winning the support of management first.

The Kroger bid therefore raised concerns on Wall Street that LBO firms might become indistinguishable from conventional corporate raiders.

In withdrawing its bid for Kroger, KKR appeared to be indicating that it was not yet ready to move whole-heartedly into corporate raiding. However, by stating its "surprise and disappointment" at Kroger's refusal to negotiate, KKR seemed also to be hinting that it would feel free to make further overtures to other companies.

The supermarket group's restructuring plan envisages borrowing $3.8bn in order to pay a special dividend of $40 in cash, and $8 in debentures being distributed to each of Kroger's shareholders. Wall Street has valued at between $7 and $9 the "stub" equity which would remain after the bulk of Kroger's capital was distributed to shareholders in this scheme.

Yesterday morning, after the withdrawal of KKR's offer, the stub shares traded on a "when issued" basis at $7½ to $8.

Epeda builds defences against Valeo offer

By Paul Betts in Paris

EPEDA-Bertrand Faure, the French diversified car seat manufacturer, is expected to announce this week counter proposals to the hostile FFr2.4bn ($380m) shares and cash bid for the company by Valeo, the leading French car components group.

The move is an attempt to thwart the efforts of Valeo, controlled by Mr Carlo De Benedetti, the Italian businessman.

Banque Worms, the banking subsidiary of UAP, France's largest state insurance group which owns a 10 per cent stake in the car seat company, is putting together Epeda's defences against the Valeo bid. Mr Pierre Richier, the chairman of Epeda, said his group could count on about 68 per cent of the voting rights in the company in friendly hands.

He said about 20 per cent of Epeda's capital was in the control of the company's management and its industrial partners in Spain and Italy. An additional 20 per cent was held by institutional investors including, among them, the UAP group and the French state-owned AGF insurance.

Mr Richier said the Valeo deal was both against the interests of Epeda shareholders and against the interests of his group's industrial strategy. He said Fiat had already frozen two deals with Epeda to await the outcome of the hostile bid.

He suggested that Valeo wanted to increase the critical mass of its car components business with the acquisition and intended to finance the takeover by shedding the diversified operations of Epeda in the luggage, bedding and military sectors if its bid succeeded.

Epeda's reaction and the decision of the UAP to support the defence of the car seat manufacturer appears to have taken Valeo by surprise. Bourse sources are expecting the stakes to escalate in the Epeda bid battle as the smaller but profitable car seat maker sharpens its defences.

No looking on the black side

Steven Butler examines the message from this week's Tenneco assets sale

THE international oil industry is suffering the second big slide in crude oil prices in as many years, yet most of the industry is brimming with optimism. This clear message emerged this week when, one by one, companies in the US and Europe announced that they had come away with a chunk of the assets auctioned by Tenneco, the troubled gas pipeline and industrial company, for a total price of $7.3bn.

Chevron won the biggest piece, $2.6bn of oil and gas properties in the Gulf of Mexico, while Mobil caused a bit of surprise by paying $560m for a refinery in Chalmette, Louisiana. The total take in the auction was considerably higher than the $5bn to $6.5bn the assets had been expected to fetch.

"This shows that oil companies do not do their long-term planning based on short-term expectations of oil prices," said Mr Paul Mlotok, oil analyst at Salomon Brothers, the Wall Street investment bank, in New York yesterday.

This was, perhaps, not seriously in question. But the high prices paid indicate that the oil companies have not substantially changed their expectations of the future in recent months, despite doubts on many sides about just how good the next decade promises to be for the oil industry.

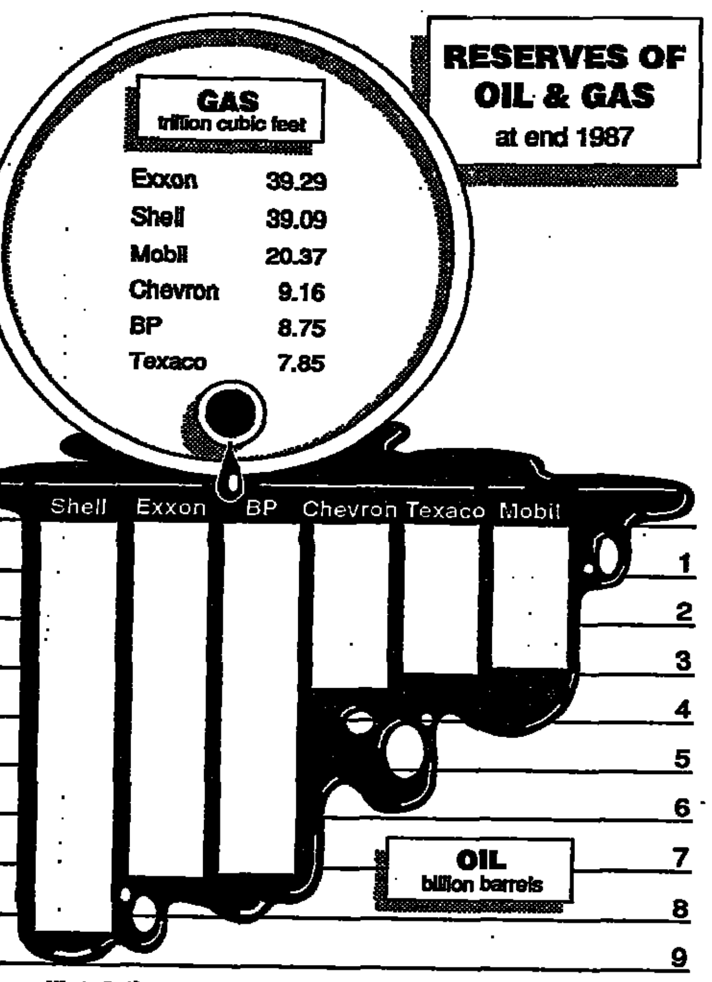
The grip on the oil market by the Organisation of Petroleum Exporting Countries has appeared far more shaky than most observers had assumed, and even Dr Subroto, the Opec secretary general, admits that weak prices are likely to stay for many years.

Mr John Jennings, group managing director of the Royal Dutch/Shell group has expressed outright pessimism that real oil prices will decline until at least the middle of the 90s, both because of expected weak demand and a continued high level of non-Opec oil production. He warned that prices paid in recent asset and takeover deals reflect an unwarranted optimism about the future.

Shell and Exxon, the world's biggest oil companies, were indeed notably absent from the list of winning bidders for what was probably the most attractive set of US properties to come on the market in years.

But this is hardly surprising: Shell probably has the most enviable portfolio of low cost oil producing properties of any oil company, and there has always been a suspicion that its forecasts of low prices were really just a way of talking its own book.

Shell promises to be the most resilient of any of the major oil companies in the face of weak prices. Neither Shell nor Exxon had any need to pay the relatively high going rate for these properties, which would in effect have diluted the value of their own holdings.



Even more than reflecting optimism about the oil price, however, the Tenneco sales reflect confidence within the industry that the depressed US gas industry is finally set to turn the corner. Most of the assets that are changing hands are dominated by gas reserves, and as a result of its purchase Chevron stands to become the biggest US gas producer.

Progressive price deregulation in the US market in the early 1980s, combined with serious excess capacity, set the stage for a price battle that drove some participants out of the market, and caused large reserves to be shut in.

The weakness in prices, however, led to a decline in exploration activity, meaning that gas was being consumed faster than it was being found and brought into production. Production from known reserves in the lower 48 states of the US are set to fall sharply from about 1990 and considerable new reserves will need to be found to avert a shortage.

In the case of oil, a similar situation would not necessarily spark fresh interest in investment. However, gas can be prohibitively expensive to transport over long distance, either through pipeline or through liquifaction, and this puts a premium on local discoveries.

These facts have not been entirely lost on Shell Oil, Shell's US operating company, which has been building up its gas position through federal lease sales in the Gulf of Mexico and by acquiring smaller parcels of assets onshore.

"The whole industry is rationalising," says Mr Jeremy Elden, of Phillips and Drew.

This consists of amalgamating interests so that the oil companies own a bigger piece of individual producing assets, and own more assets that are grouped regionally, thus allowing for operating efficiencies.

This pattern emerges strongly from the particular parcels of assets that changed hands in the Tenneco sale. Many buyers were adding to existing interests and some have recently disposed of other properties that do not fit so easily into their existing interests.

As a result of its purchase of Tenneco's mid-continent reserves in Kansas, Oklahoma, Texas, and Arkansas for $715m, Mesa will nearly double its gas reserves in the area.

Amoco's $900m purchase of Tenneco's Rocky Mountain division, involving mainly natural gas, comes after its recent $4bn purchase of the US properties of Canada's Dome Petroleum, which at the time made it the richest holder of natural gas in North America.

Atlantic Richfield's $700m purchase of Tenneco's West Coast oil and gas assets will help to consolidate its already strong position in California.

Other buyers at the auction include American Petrofina, the Fina subsidiary, which is paying $600m for Gulf Coast producing properties, and Conoco, which is paying $115m for Tenneco's Norwegian interests.

The high price that Mobil paid for its refinery reflects optimism that the current boom taking place in refining profits will not be short-lived.

The refinery that Mobil is buying had recently been upgraded by Tenneco, and Mobil should be able take advantage of these market conditions with immediate effect. Although neither a buyer nor a price has been revealed for Tenneco's chain of filling stations, the price was evidently also quite high, in the range of $10 per annual barrel of throughput.

One conclusion that emerges from the auction is that on an asset basis, every major oil company is vastly undervalued by the market.

Mr Elden, at Phillips & Drew, has calculated that developed oil reserves have gone for about $6½ a barrel, while undeveloped reserves sold for $4½ a barrel. The refinery and the filling stations are worth each more than $10 for an annual barrel of throughput.

He says that if BP should be valued on a similar basis, its share price ought to more than double to about 570p, while shares of Shell ought to go up to close to £23. They are currently below £10.

That of course may be an unrealistic way to value these companies, because they are so large that the market would have serious trouble absorbing them. It is none the less indicative of the depth of underlying financial strength that Big Oil now enjoys.

Tenneco intends to maintain its common stock dividend at an annual rate of $3.04 per share following the sale of its oil and natural gas businesses.

The company said net proceeds from the $7.3bn sale should be more than $6.4bn after taxes and other expenses. The sales should be substantially completed by the year-end.

Tenneco said it would use the proceeds to retire a substantial amount of its outstanding debt and possibly to repurchase common shares.

OVS plots pincer movement to flush out Redfearn white knight

By Philip Coggan in London

OVS Investment, an Australian company controlled by Mr Dick Pratt, yesterday put its 29.9 per cent stake in the UK packaging company Redfearn up for sale, but said it would make a £53m ($90m)cash bid for the group if no one bought its holding.

This unusual tactic, devised by OVS's advisers, N.M. Rothschild, is designed to flush out a rival bidder or "white knight" for Redfearn. OVS has the right to reject all tenders if a third party either makes a bid for Redfearn or acquires more than 10 per cent of its equity.

The tender offer is set at a minimum price of 520p per share, and should no tenders be received by October 21, OVS would make a cash offer for the whole company at that price.

OVS says that 520p per share is all it is prepared to offer. "But if someone else wants to pay us more, that's OK," said Mr John Lester, an OVS director, yesterday. OVS also argues that Redfearn's management would find it difficult not to recommend its offer, should no buyer emerge during the tender period.

Mr Lester maintained that a bid was the group's preferred option. "We would much rather be a buyer than a seller at 520p," he said. But he admitted that the group had made it known in the past that its stake was for sale.

Redfearn, which was formerly known as Redfearn National Glass, is the UK's third largest glass container producer. It diversified last year through the purchase of Flexpack, a packaging film business, but its recent interim results showed that two out of its three divisions were making losses.

It seems likely that an offer from either of the two larger UK glass container producers, Rockware or United Glass, would be liable for referral to the Monopolies Commission. But European and US packaging companies may emerge as bidders.

OVS, which has substantial interests in paper and packaging in the US and Australia, first announced a stake of 6.8 per cent in Redfearn in January 1987. It subsequently bought a 20.5 per cent holding from Sir Ron Brierley's IEP Securities and said it hoped to assist in improving the company's performance. However, as Mr Lester said dryly yesterday, "the management had other views."

The scheme would, Mr Lester said, resolve OVS's position of being a minority investor with no active role in the company.

In a separate move, Redfearn recently parted company with Mr John Pratt (no relation), who was ousted as chairman.

Its current chairman, Mr David Newbigging, said OVS "appear to have no clear strategy for their investment in Redfearn and this latest move indicates a cavalier attitude towards the company." The Redfearn board advised shareholders to take no action.

Lex, Page 24

Ratners buys Next offshoots

By Maggie Urry in London

RATNERS, the fast expanding British jewellery retailer, is paying a total of £150.8m ($255m) to buy two businesses from rival stores group Next, in a move which underlines the shake-up taking place in the UK high street.

The two chains changing hands are Zales, a 130 store jewellery business, and Salisburys, a group of 235 shops selling costume jewellery, handbags, fashion accessories, briefcases and luggage. Ratners is also taking 73 other jewellery shops which had traded under the Collingwood and Weir names.

All these businesses had been part of Combined English Stores which Next acquired in June 1987 for £335m, pipping Ratners which had bid for CES first.

Mr George Davies, Next chairman and chief executive, denied the suggestion that the sale represented a panic move following recent dull interim figures.

He said that Next had decided to sell these non-core businesses so as to reinvest the resources in its strongly growing core chains which centre on the Next brand name, and said the sale "is the logical culmination of Next's assimilation of CES's high street portfolio."

Next is keeping its Next the Jeweller chain, which has 47 shops, and is in a different part of the jewellery market.

With the purchase, Mr Gerald Ratner, Ratners' chairman and managing director, said he would achieve his goal of 1,000 jewellery shops in the UK. Salisburys would provide a new area of UK expansion, he added.

Next and Ratners have been two of the brightest stars in the retail sector in recent years. Mr Davies transformed the Hepworth menswear group into Next, which now has around 1,100 shops.

Lex, Page 24; Next time round a good deal for Ratners, Page 32

INTERNATIONAL COMPANIES AND FINANCE

Murdoch funding for Triangle deal in place

By Raymond Snoddy

MR RUPERT MURDOCH, chief executive of News Corporation, is believed to have put his finance in place for his largest ever acquisition – the $3bn purchase of Triangle Publications of the US.

The deal, first announced in August, was seen as both audacious and risky because of the increased levels of debt that would be involved.

Mr Murdoch has sold off some of his properties, including his 50 per cent stake in the US and British editions of the magazine Elle to help finance the Triangle purchase.

He has made it clear that he now has the commitments in place to finance the Triangle acquisition and the deal could be finalised by the end of this month.

The American-Australian publisher, who owns five UK national newspapers, is also saying that he has no intention of selling his stake of just over 18 per cent in Pearson, the publishing, banking and oil service group which owns the Financial Times.

Modest Saudi billionaire indulges banking passion

Finn Barre profiles First Boston's Saudi guardian

Mr Suliman Olayan, the Saudi billionaire who this week emerged with a key role in the restructuring of First Boston, the Wall Street investment bank, *is indulging a passion for* banking, where despite a lack of formal background he has a number of significant involvements worldwide through directorships and shareholdings.

Under Monday's deal his Olayan Group, a distribution and trading company, will act as interim trustee over a 30.5 per cent stake in CS First Boston, which will be the privately-held umbrella company for the New York bank as well as for Credit Suisse First Boston, its London affiliate, and a new venture in Tokyo. The Saudi group will also be the conduit for a loan of some $600m from international banks.

It is being emphasised that Japanese institutions are being sought as the preferred long-term partners in the new entity, and that the Olayan link is intended as an interim measure. The choice of Olayan, which is itself not a bank, circumvents potential US regulatory problems, particularly those arising from the country's Glass-Steagall Act covering the banking and securities industries.

Mr Olayan's interest in the banking business has led him at various times to take stakes in Donaldson Lufkin and Jenrette, another prominent Wall Street firm, as well as in Chase Manhattan and Morgan Guaranty, and to serve as a member of Morgan's international advisory council.

He has long been chairman of Saudi British Bank, the local joint venture of Hongkong and Shanghai Banking Corporation.

While some other Saudi high-fliers such as Mr Adnan Khashoggi and Mr Ghaith Pharoun have encountered disagreements with creditors, Mr Olayan appears to have weathered the oil price downturn with few problems. This is partly because his involvement in the country's hard-hit construction and property sectors was minimal by the time the oil boom ended.

In addition, he has invested most of his surplus cash abroad, and in the US has also had shareholdings in oil companies including Occidental and Mobil, where he held a board seat at one time.

Mr Olayan was born in 1918, in a small village called Onaizah, and took a job with the Arabian American Oil Company (Aramco) in 1947. Taking advantage of an Aramco programme to encourage Saudi entrepreneurs, he mortgaged his house and started a small trucking firm. He later branched out into construction, trading and services.

His company now has local agency rights for multinationals including Xerox, Atlas Copco, Rover Group and General Foods. Through a subsidiary called Olayan Saudi Holding Company (Oshco) it is said to be the kingdom's largest distributor of consumer goods.

Another reason advanced locally for Mr Olayan's continued financial success during difficult times is his relatively simple lifestyle. He eschews yachts and private jets; his immediate family is small and his tastes modest.

CPC ahead despite 8% drop in sales

By Robert Vincent in New York

CPC INTERNATIONAL, the New Jersey-based food processing group, yesterday reported further strong progress, lifting third-quarter net income by 29 per cent to $76.7m and earnings per share by 36 per cent to 98 cents.

The group, which has a string of brand names including Hellmann's and Mazola, said the improvement stemmed from good volume growth in consumer foods in the US and overseas, a better performance in Latin American corn refining operations and substantially lower financing costs.

Sales in the quarter showed an 8 per cent decline to $1.2bn, but those from continuing operations were substantially ahead at 16 per cent.

For the first nine months, the group's net income was $206.7m or $2.62 a share. This was 36 per cent higher than the year-ago period after excluding a 1987 special net gain of $126m.

Sales in the same period amounted to $3.5bn, against $3.84bn last time, but again there was a considerable increase from continued operations, which advanced 17 per cent from $3bn.

GE raises third-quarter earnings 16% to $815m

By Our New York Staff

GENERAL ELECTRIC, the huge industrial and financial conglomerate, has reported a continuing rise in profits. In the third quarter of this year it lifted net earnings by 16 per cent to $815m, with the improvement being led by plastics, financial services and medical systems.

The profits increase, which follows a strong second quarter, took earnings per share to 90 cents, a rise of 17 per cent against 1987's originally reported third quarter. This was in line with analysts' estimates.

The group's earnings were restated at the last year-end to reflect new tax accounting rules. Third-quarter earnings would have shown an increase of 23 per cent against the restated figures, but GE considers the originally reported 1987 earnings more meaningful.

The quarterly improvement was achieved on a 1 per cent fall in sales to $9.31bn but, after adjusting for acquisitions and disposals since the beginning of 1987, sales for the latest quarter rose by 7 per cent. In July 1987, GE agreed an asset swap with Thomson of France in which the French group took over GE's RCA consumer electronics business and GE acquired Thomson's CGE medical equipment subsidiary.

Nine-month earnings were also up 16 per cent at $2.37bn on unadjusted sales down 3 per cent at $28.5bn, while earnings per share increased 17 per cent to $2.63.

Sales adjusted for disposals and acquisitions were 4 per cent higher than in the year-ago period.

Last month the company bought Borg-Warner's chemical business for $2.3bn. Mr John Welch, GE chairman, said that this transaction had made no impact on the latest quarter's operating results, but once integrated the acquisition would greatly enhance GE's plastic product lines and customer service.

He also pointed out that GE had made a further commitment to growth in the plastics sector, with the announcement earlier this month of a $1.7bn plastics venture in Spain.

Mr Welch said that margins had been improved throughout the group, with the operating margin in the first nine months rising a full point to 10.1 per cent, against the same period a year ago.

This, he added, put the company in a good position to achieve its second consecutive year of double-digit earnings growth.

Dyno to expand its explosive interests

By Karen Fossli in Oslo

DYNO INDUSTRIER, the diversified Norwegian industrial group, said yesterday that it had agreed to purchase the 50 per cent stake owned by Du Pont of the US in Du Pont Wesfarmers, the second largest Australian explosives company, for an undisclosed sum.

The deal will make Dyno one of the world's leading explosives producers, alongside ICI of the UK, doubling its annual turnover to NKr5bn ($759.8m). It increases Dyno's total annual production of ammonium nitrate, the basic raw material used to produce explosives, to 600,000 tonnes.

Dyno said Du Pont had been seeking to divest totally from the explosives business and the sale of its Australian subsidiary represented the last move in this strategy.

From November 1, Du Pont Wesfarmers will be named Dyno Wesfarmers, although the final signing is expected to take place in December.

Wesfarmers, which will hold the remaining 50 per cent in the company, is an Australian ammonium nitrate producer.

Dyno had previously established Dyno Nobel and Nitro Nobel Johnsen Bulk Explosives in Australia. These companies are now to be merged with the new Dyno Wesfarmers, headquartered in Sydney. The new company will have some 200 employees.

Mr Arild Ingierd, a Dyno vice-president said: "This is a strategically important step for Dyno."

Philips in submicron chip project setback

By Laura Raun in Amsterdam

PHILIPS, THE Dutch electronics group, has suffered an apparent setback in its submicron chip project, with lower than expected demand forcing plans for two production facilities to be postponed.

A new plant for the 1 megabit chip was supposed to have been built next year in Hamburg, West Germany, but has been put on ice, depending on market demand. Another integrated-circuit facility in Nijmegen, the Netherlands, will not be used for production unless capacity in Eindhoven is exceeded. Just last month Philips borrowed Fl 450m ($215m) from the European Investment Bank to help finance the Nijmegen facility.

For the time being, production of the static random-access-memory (Sram) chip will be limited to Eindhoven, where Philips has its headquarters. Demand for the Philips' chip, which can store 1m bits of computer data, has failed to meet expectations, although demand for static chips in general far exceeds supply.

Philips is making the 1 megabit chip as part of the Fl 3.4bn "megaproject" designed to help Europe catch up with Japan in submicron technology. Siemens of West Germany is also participating in the government-subsidised project. It makes 1- and 4-megabit dynamic random access memory (Dram) chips.

Submicron chips are considered the key to electronic miniaturisation of consumer and industrial products.

Dow Jones in 13% decline

By Our New York Staff

DOW JONES, the US business information and newspaper group which publishes the Wall Street Journal, suffered a 13 per cent decline in net profits during the third quarter.

This unexpectedly poor performance was attributed to weakness in financial advertising since last October's market crash.

Dow Jones made $32m or 32 cents a share in the third quarter, compared with $37m or 38 cents a year ago, despite a 28 per cent jump in total revenues to $384m. Revenues were boosted by a change in the accounting for the Telerate electronic market information business.

International Paper doubles earnings

By Anatole Kaletsky in New York

INTERNATIONAL Paper, the world's biggest integrated paper-making company, almost doubled net earnings in the third quarter, maintaining a 90 per cent-plus rate of profit growth for the second year running.

However, IP's results were roughly in line with market expectations and its shares fell $¾ to $46 soon after the quarterly report was released.

IP earned $201m or $1.74 a share in the third quarter, 97 per cent higher than the previous year's $102m or 92 cents.

Its net sales increased by 20 per cent to $2.4bn. In the last nine months, IP has made $533m or $4.75 a share, almost double its profits of $267m or $2.54 in the first nine months of 1987.

The number of shares outstanding increased slightly over the past 12 months, resulting in somewhat slower growth in earnings per share.

Mr John Georges, chairman, said he could "see no reason why the trend should not continue through the year end" and predicted that demand and pricing would remain strong next year for all IP's paper and paperboard products.

Despite a decline in wood product sales connected with higher mortgage rates, he said that this division also showed steady improvement in profits.

He noted that mills producing packaging materials and uncoated white papers were operating at full capacity, resulting in steady increases in profits from these products.

Many grades of uncoated white papers were now available to customers on an allocation basis only and IP was expanding its position in this market to meet demand.

Mr Georges also said that several recently-acquired subsidiaries, including Masonite, the world's largest producer of wood composites, and Anitec, a photographic paper manufacturer, were peforming up to expectations.

Overall, the company's return on equity had risen to 15 per cent from 9 per cent in 1986 and 10 per cent last year.

Court turns down LAC Minerals

By David Owen in Toronto

THE SUPREME Court of Ontario yesterday dismissed a request by LAC Minerals, the fourth-largest gold producer in North America, for a new trial to determine ownership of the huge Page-Williams gold mine in northern Ontario.

Mr Justice Osborne is expected to outline his reasons for his decision later this week.

The mine, which has proven reserves of at least 9m oz, was awarded to Corona Corporation – another Canadian gold mining company – in March 1986. An appeal by LAC was rejected unanimously by the Ontario Court of Appeal a year ago.

The latest decision was immediately reflected in the LAC share price, which dropped to C$11⅞ – off C$⅞ from the previous close. Corona Class A shares, meanwhile, rose by the same margin to C$10.

Mr Roland Francisco, LAC treasurer, said that yesterday's ruling "does not change the complexion" of LAC.

INTERNATIONAL COMPANIES AND FINANCE

Westpac to buy loan portfolio for A$1.47bn

By Chris Sherwell in Sydney

WESTPAC, one of Australia's Big Four trading banks, is to pay nearly A$1.47bn (US$1.18bn) for the loan portfolio of the Defence Service Homes Corporation, a state mortgage lender.

The purchase is part of a series of asset sales announced by the Federal Government last year. Others have included a naval dockyard, government office blocks in Sydney and part of the Australian embassy site in Tokyo.

The announcement yesterday, from Westpac and the three government departments involved, said the bank would purchase the portfolio for its face value of A$1.38bn plus a A$100m premium. Because of the timing of payments, this premium was said to be equivalent to A$85m to the Government.

The Defence Services Homes Corporation was set up to meet the housing needs of First World War veterans and their widows, and was later expanded to include those who served in Korea, Malaya and Vietnam. Its loans are offered on a concession, and currently 137,000 mortgages are outstanding.

Westpac said the purchase was without precedent, and equivalent to the acquisition of a building society without its staff or bad debts.

It said the deal would lift the bank's existing home loans portfolio of A$7.3bn significantly closer to the A$9bn level of the country's biggest home lender, the Commonwealth Bank.

At the same time, the bank expects to pick up additional business in the form of second mortgages and new cheque and savings accounts, as well as new loans to eligible defence service people over the next 30 years.

● State Bank of South Australia has applied for a full commercial banking licence in New Zealand, AP-DJ reports from Wellington.

Mr Tim Marcus Clark, managing director, said the aim was to introduce niche banking to big companies and wealthy individuals.

The side-effects of Irving Bank's poison pill

Anatole Kaletsky looks at the repercussions of Bank of New York's victory in its bitter takeover battle

The merger between Bank of New York (BNY) and Irving Bank, which was finally signed and sealed this week, concluded what was by some accounts the longest and most expensive takeover battle in US history.

In addition to creating the 11th largest bank in the US, with total assets of between $45bn and $50bn, the merger has shed new light on at least three important questions which have kept bankers, businessmen and takeover lawyers guessing for the past year.

Probably the most significant effect of the Irving battle was to add to the confusion over the "poison pill" anti-takeover devices adopted by ever increasing numbers of US corporations. The decision by Irving's Mr Joseph Rice to surrender was prompted directly by the refusal of the New York State Supreme Court to recognise the Irving poison pill.

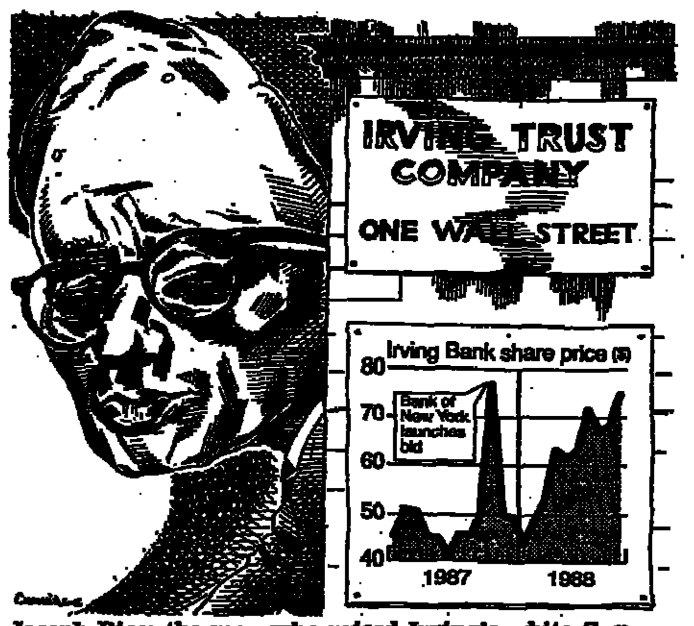
But far from discrediting all poison pill-type defences, the bid for Irving may simply have focused attention on new ways of making these defences effective. One of the most popular is likely to be for New York-based companies to reincorporate in Delaware, a state where courts have upheld the use of poison pills.

The Irving bid also demonstrated the limitations of the state anti-takeover statutes which have recently been imposed onerous general conditions on companies undertaking hostile bids. Rather to many lawyers' surprise, the New York courts upheld the state's anti-takeover law, which would have prevented BNY from consumating a full legal merger with Irving for five years even if it acquired all of its shares.

BNY declared, however, that it would go ahead with the bid anyway and operate Irving as a separate subsidiary, accepting the substantial financial and operating problems which this would entail.

In terms of the banking business itself, the Irving takeover proved once and for all that a sufficiently determined bidder can buy a major US bank against the wishes of its management and board. The Federal Reserve Board, far from opposing BNY's unfriendly offer as a few old-fashioned banking analysts sentimentally supposed it might, ended up playing the key role

By putting regulatory obstacles in the way of Banca Commerciale Italiana (BCI); Irving's chosen white knight, the Fed made it quite clear that it had no preference for agreed mergers over hostile transactions – and even provoked a few suspicions that it might be willing to give positive encouragement for enforced consolidations among the leading US banks.



Joseph Rice: the man who raised Irving's white flag

Indeed, the combination of the Fed's latitude towards BNY and its stringency regarding BCI's bid application has raised two further issues. Will the success of the Irving takeover lead to an outbreak of merger mania and corporate raiding in the banking business? And will foreign banks be excluded, or at least handicapped, in this game?

The answers to both these questions appear to be negative.

No doubt there will be further mergers in the years and months ahead, as a result of the many structural changes which are sweeping the worldwide banking business. But banks are most unlikely to become the next "hot" sector for takeover speculators when the supply of bid stocks in publishing and food manufacturing is exhausted. In part this is because the magic powers of leverage do not work in bank takeovers.

Many of the multi-billion dollar mergers on Wall Street in the past few years have been explicitly designed to suck the surplus equity out of large companies and replace it with debt in order to multiply the potential returns to new owners. All of the pressures on the banking business, however, are in the opposite direction. US banks are under orders from the Fed to raise their equity to meet the new international capital guidelines and regulators are most unlikely to approve mergers which weaken a bank's capital ratios.

In addition, of course, US legislation at present limits the field of potential acquirers, making it impossible for banks to fall prey to general industrial or service conglomerates. Takeovers in the US banking sector are going to be confined, therefore, to horizontal mergers between banks.

This leaves the question of foreign bank takeovers. The Fed has gone out of its way to deny that nationality had anything to do with its opposition to BCI's friendly plan to buy 51 per cent of Irving. In fact the Fed has pointed out repeatedly that it never opposed BCI's bid. It simply requested additional financial information on Istituto per la Riconstruzione Industriale (IRI), the Italian state holding company which owns 60 per cent of BCI.

Fed officials claim to have been surprised and incredulous when BCI abruptly withdrew its bid for Irving after receiving what they considered a routine information request under the Bank Holding Company Act.

Fed officials apparently told BCI at the time that they would waive some of the US law's requirements for IRI "to the maximum extent possible." They claim that there was never any question of asking IRI to dispose of its far-flung industrial interests in order to win permission to acquire a US bank.

From the Italian standpoint, however, the Fed's amazement was somewhat disingenuous, since it was seen as unacceptable for IRI, an agency of the Italian Government, to consider operating on the basis of special waivers.

It is an open question whether this particular incident ends up being seen as a storm in a teacup or leading to further clashes between US and European banking law.

KIO to take control of Singapore company

By Our Financial Staff

THE KUWAIT Investment Office (KIO) is to take over First Capital Corporation, a Singapore property company known formerly as Sealion Hotels and rescued in July last year by United Industrial Corporation (UIC), a leading local conglomerate.

UIC, which took control of First Capital from Mr Allan Ng amid an official inquiry into share dealings involving Mr Ng, will sell a 51 per cent majority to the KIO for S$124.9m (US$61.4m).

The Kuwaiti state agency will acquire this stake through Dao Heng Holdings, a Hong Kong-based investment company in which it is a principal shareholder. After this deal, which is subject to approval by UIC shareholders, it will then make a general offer at the same per-share price of S$1.50.

The shares are to be acquired by J.M. Sassoon, the broker, or placed by Sassoon with either KIO or third parties. KIO holds a 49 per cent stake in the holding company of Sassoon.

UIC retains a 27.8 per cent interest in First Capital which it said would not be sold during the offer period.

Nan Fung chairman aims to take company private

MR CHEN DIN-HWA, chairman and controlling shareholder of the Hong Kong-listed Nan Fung Textiles Consolidated, wants to take the company private, AP-DJ reports from Hong Kong.

The board of directors said yesterday it had been informed of Mr Chen's plans to buy out minority shareholders and had appointed Sun Hung Kai International as adviser.

Mr Abraham Chan, a manager with Jardine Fleming, Mr Chen's advisers, said the buy-out offer was at a preliminary stage. Nan Fung is a textile company with interests in property investment and development, securities investment and mortgage financing.

Mr Chan said Nan Fung had no debt and did not need the stock exchange listing to raise funds for expansion.

As of March, Mr Chen owned 73 per cent of Nan Fung. At the current share price of HK$8.80 the buy-out would cost about HK$800m (US$102.6m) but the final offer is thought likely to be significantly higher. Nan Fung shares were suspended yesterday.

Nan Fung's announcement fuelled rumours on the exchange that a number of buy-outs were in the works. Interest started last week when Australia's Bond Corporation Holdings said it planned to buy out the minority shareholders in Bond Corporation International, its Hong Kong-listed subsidiary.

Singapore Press plans de-merger

SINGAPORE PRESS Holdings (SPH), the island's dominant newspaper group, yesterday announced the terms of a proposal to hive off its Times Publishing subsidiary into a separate listed company, Reuter reports from Singapore.

The proposal offers SPH shareholders one Times share for every two SPH shares held. Times's issued capital, at S$121.63m (US$59.8m), will be half SPH's capital.

Mr Lim Kim San, the chairman, said shareholders had been urged to vote for the proposal. Completion was expected by February. The de-merger occurs four years after the Government ordered the merger of three newspaper groups to form SPH.

SPH shares rose 15 cents yesterday to S$7.30.

INTERNATIONAL COMPANIES AND FINANCE

Alfa-Laval registers 27% rise in eight-month profit

By Robert Taylor in Stockholm

ALFA-LAVAL, the Swedish dairy equipment and process engineering group, yesterday reported a 27 per cent increase in profits after financial items from SKr415m ($68.4m) to SKr525m for the first eight months of 1988.

Operating income after depreciation amounted to SKr505m, which is a 44 per cent improvement on the same period of 1987.

Orders received in the first eight months of this year amounted to SKr9.3bn, an increase of 21 per cent over the same period of 1987, while invoiced sales went up by 12 per cent to SKr7.38bn.

The backlog of orders at the end of August amounted to SKr5.58bn, a rise of 52 per cent on the first eight months of last year.

Alfa-Laval's recent period of acquisitions, a programme of cost cutting, and increased investment in research and development all appeared to have stimulated the company's strong revival.

Alfa-Laval is booming in almost all its business areas. In food technology and flow equipment, the order books are 45 per cent higher than for the same period of 1987, with a particularly large order for 18 complete margarine plants from the Soviet Union.

In the agri-business sector, there has been a 17 per cent increase in orders after five years of stagnation.

The industrial division also reported an improvement in its income, with a "positive sales growth" in the separation, thermal, and dosing and analysing technology business sectors. Indeed, the only area where there was a fall in orders compared with the first eight months of 1987 was biotechnology.

Group liquid assets at the end of the period amounted to SKr3.94bn, compared with SKr2.94bn for the first eight months of 1987.

The group said it believed its full-year profits would show a "considerable improvement" on last year's figure of SKr801m after financial items.

Bouygues chief set to stay in charge

By Paul Betts in Paris

THE FUTURE leadership and control of Bouygues, the world's largest construction group, will come under the spotlight tomorrow at a crucial meeting of the company's board.

Bouygues shares have been under siege during the past few weeks on the Paris bourse as a result of a combination of takeover speculation and succession problems.

But Mr Francis Bouygues, the 65-year-old chairman of the construction group which has annual sales of FFr60bn and also controls TF-1, France's leading privatised television network, is widely expected to confirm tomorrow that he will remain in charge of the group he founded 36 years ago.

However, Mr Bouygues is also expected to give an important clue on his eventual succession by appointing his son, Mr Martin Bouygues, as deputy chairman of the company. The group, however, declined to comment last night on reports of Mr Martin Bouygues' expected appointment.

Mr Martin Bouygues has headed up to now the group's Bouygues Maison French housing development subsidiary. He was not originally regarded as the favourite to succeed his father, but his star rose after Mr Bouygues fell out a few years ago with his eldest son, Mr Nicolas Bouygues.

The board meeting is also expected to clarify the controlling shareholding of the group which has been the subject of major bourse speculation in recent days. About 15 per cent of Bouygues's outstanding shares have changed hands in recent weeks and the share price has risen sharply on speculative buying.

The Bouygues family and its traditional partners, including the Crédit Lyonnais and the Suez financial group, now control about 45 per cent of the voting rights of the company. Both Crédit Lyonnais and Suez renewed during the last few days their support to the family as traditional shareholders.

However, Mr Robert Maxwell, the UK publisher, and Mr Bernard Tapie, the French entrepreneur, have both disclosed they had acquired shares in Bouygues to defend the construction group from a possible raider as well as their interests in TF-1.

Both Mr Maxwell and Mr Tapie are associates of Bouygues in TF-1. For its part, the Bouygues group said it had not asked either Mr Maxwell or Mr Tapie to support it, adding that the two businessmen were acting on their own initiative.

Mr Francis Bouygues was also widely expected to announce last night that he was stepping down as chairman of TF-1. Mr Patrick Le Lay, one of his closest associates who has been the managing director of the network in which Bouygues owns a 25 per cent stake, was expected to take over as chairman of the channel.

While stepping down from the TF-1 chairmanship, Mr Bouygues has indicated he intends to continue heading his construction group which has been caught in a stock market battle during the last few weeks.

Operating profit grows by 28% at S-E Banken

By Sara Webb in Stockholm

SKANDINAVISKA Enskilda Banken, Sweden's leading commercial bank, reported a 28.1 per cent rise in operating profit to SKr2.31bn ($364m) for the first eight months.

The banking group as a whole, which includes S-E Banken's international branches, reported a 23.1 per cent increase in profit to SKr3.11bn. It said the profits increase had been held in check by some of its overseas branches showing a lower profit than in the comparable period last year.

The group expects full-year profits to increase by 15 per cent to about SKr4.65bn in 1988.

S-E Banken said the profit increase was achieved through higher volumes this year. Interest income for the bank rose by 25.8 per cent to SKr3.21bn, helped by strong demand for loans from households and companies.

Group interest income rose by 22 per cent to SKr4.12bn. The bank said lending in Swedish kronor increased during the period and foreign currency lending showed a rapid rise because of the gap between Swedish and international interest rates.

The bank's total income climbed 19.5 per cent to SKr4.82bn. Commission income rose by 17.6 per cent for the group. Total costs increased by 12.1 per cent to SKr2.35bn in the bank and by 15.1 per cent to SKr3.35bn for the group, reflecting the cost of establishing three new overseas branches.

Danish banks discuss link

By Hilary Barnes in Copenhagen

HOLSTEBRO BANK, the local bank for the west Jutland town of Holstebro, is discussing a merger with Jyske Bank, the big Jutland bank, after substantial risks were uncovered at Holstebro's Copenhagen branch.

Holstebro had a balance sheet total of DKr3.29bn ($461m) at the end of last year. It made losses of DKr96m and DKr69m in 1986 and 1987, but predicted a profit of about DKr50m this year after publication of its half-year report.

However, an examination of operations at the Copenhagen branch revealed about 25 engagements which were not on the books and which will give the bank a net loss this year of about DKr25m.

The bank decided to seek a merger immediately the new losses were discovered. It says the former manager and deputy manager of the Copenhagen branch may face police proceedings.

Holstebro is the fourth Danish bank to face difficulties in recent years as a result of banking irregularities, including two, C & G Bank and 6 Juli Bank, last year.

Jyske Bank already holds 30 per cent of the equity in Holstebro Bank and has guaranteed the bank's depositors.

Moulinex stays ahead at mid term

By George Graham in Paris

MOULINEX, the French electrical goods manufacturer which returned to the black in the second half of last year, has reported FFr33m ($5.2m) net profits for the first half of 1988, after losses of FFr73m a year earlier.

The group, which passed through several years of uncertainty over the plans of its ageing founder and its marketing strategy, saw sales rise strongly, gaining 23 per cent to FFr1.74bn in the first half, thanks in particular to buoyant sales of microwave ovens.

The French market, which had been one of Moulinex's main problems in recent years, saw sales grow by 32 per cent, while sales in foreign markets rose 19 per cent.

Mr Roland Darneau, the group's new chairman, has forecast profits for the full year "well in excess of FFr100m," but some financial analysts have been considerably more optimistic. Tuffier Ravier, the Paris brokerage, has forecast profits of around FFr156m this year.

Moulinex plans to list its Spanish subsidiary on the Madrid Stock Exchange in November. After postponing the flotation in the wake of last October's stock market crash, Moulinex has now begun placing around 30 per cent of the Spanish company's capital with investors.

ERT and Cros fix merger

By Our Financial Staff

UNION EXPLOSIVOS Rio Tinto (ERT), the Spanish chemicals company, and Cros, the fertiliser company, have agreed terms for an exchange of shares ahead of a full merger between the two companies. The merger takes place under the indirect influence of the Kuwait Investment Office.

ERT said earlier this week that the two companies had agreed at separate board meetings on Monday to exchange shares on the basis of four ERT shares for every five Cros shares held, to form a new company to be called Ercros.

ERT and Cros are to seek approval of the merger plan at separate shareholders' meetings on October 15 and 17 respectively.

Cros is controlled by Torras Hostench, the Barcelona investment firm in which the KIO has a dominant stake. Cros itself acquired a dominant shareholding in ERT over the summer.

The merged company will be capitalised at Pta27.7bn ($225.6m), with net assets of Pta166.7bn.

The book value of shares in the new company will be 602 per cent of nominal share value of Pta500, equivalent to Pta3,010.

The proposed merger will be subject to approval by the Finance Ministry and is expected to take about six months to come into effect.

Utd Telecommunications sprints ahead

By Robert Vincent in New York

UNITED Telecommunications was boosted in the third quarter by a significant improvement in the US Sprint long-distance network and the continued strength of its local telephone operations. United operates the second largest independent telephone system in the US.

Net income from continuing operations in the quarter jumped to $54m, or 52 cents a share, from $25.8m, or 25 cents, on sales which were ahead from $750.6m to $805.8m.

In the nine-month period, United recorded a turnround from a loss of $75.3m to a profit of $122.2m, or $1.18 a share, on revenue of $2.3bn, against $2.2bn.

Mr William Esrey, president, said Sprint's dramtic improvement had been triggered by the transfer of customer traffic to the company's nationwide fibre-optics network which had attracted new business.

The revenue gains combined with improved cost controls had trimmed Sprint's pre-tax loss in the quarter to $19m, down sharply from $165m in the same period last year.

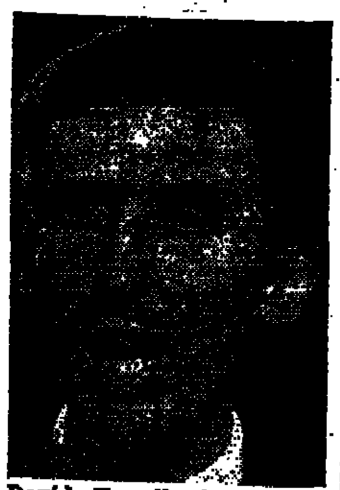
United's share of the net loss – it is an equal partner with GTE – had been reduced by $44,000 in the quarter.

Mr Esrey said that income from United's local telephone operations increased by 7 per cent to $276.4m in the first nine months on revenues of $1.9bn.The telephone operations continued to show strong growth.

Proceeds of $775m from the sale of the cellular and paging operations to Centel which are to be used to buy a controlling interest in US Sprint are to be included in the fourth quarter.

UK firms profit from overseas government sell-offs

By Simon Holberton, Economics Staff, in London



David Howell, former UK Energy Secretary, says that privatisation has transcended national boundaries.

BRITISH consultancy firms could in future earn hundreds of millions of pounds by advising foreign governments on how to privatise public assets, a senior executive with Coopers & Lybrand, the big accountancy firm, said yesterday.

Mr Paul Batchelor, head of Coopers & Lybrand's privatisation group, said his firm had earned about £20m ($34m) in revenues from privatisation over the past five years. Most of this derived from UK advisory work but he said he expected that in future revenues would be evenly split between domestic and foreign consultancy.

He made these claims at the launch of a publication* which puts privatisation in a practical context. The booklet is aimed at governments and state-owned institutions which are engaged in, or interested in, pursuing privatisation as a policy.

Mr David Howell, a former energy secretary, said at the launch that privatisation, which has started in Britain as a way of controlling the public sector borrowing requirement, has since transcended national boundaries and ideologies as governments of all persuasions realised the benefits of private enterprise.

Mr Batchelor said that Coopers & Lybrand was involved in over 16 countries, ranging from Portugal to Turkey and New Zealand to Zambia, which were actively considering the sale of public assets or the reorganisation and restructuring of them on a more commercial basis. It is also currently advising the UK Government on the privatisation of British Steel and the water authorities.

He said that privatisation was more complicated than just the sale of public assets to private interests. It involved not only ownership but management, finance, and issues of competition and deregulation as well.

"Privatisation: Its place in public sector reform", Coopers & Lybrand, Plumbtree Court, London, EC4A 4HT. £50.

Ferguson moves up-market using French expertise

By Terry Dodsworth in London

FERGUSON, the UK telecommunications company acquired by Thomson of France last year, is launching a range of up-market products based on technology developed by the French group.

The new range is built around Thomson's latest television tube design.

This is an extremely flat tube, which has allowed stylists to produce less bulky sets for any given amount of screen space.

At the same time, Ferguson is introducing digital sound for the more expensive models in its range, along with an anti-glare device designed to clarify the television image in bright lighting.

Mr David Silver, Ferguson's marketing director, said that the launch marks a new emphasis on the top end of the UK television market for 24-inch screen sets.

By the middle of next year, it is expected that about a quarter of the British market will be in 24-inch products, and Ferguson is aiming to increase its market share in this sector by about 5 percentage points to just under 30 per cent.

Ferguson's move follows a shake-up in the group after last year's takeover. As a result of the Thomson acquisition, the group's workforce was cut by 1,200 people to its present level of 3,000, based at two sites in the London area and at Gosport in Hampshire. Output dropped by approximately 200,000 sets a year to around 750,000.

The main cause of the sales reduction was the loss of a 200,000 a year order from JVC, the Japanese consumer electronics group, which used to buy sets from Ferguson, but which has now established its own manufacturing plant in Scotland.

Integration into Thomson, one of the three largest television companies in the world, has also given Ferguson the chance to expand its range of audio products. These are bought in from the Thomson organisation, which mainly sources its audio products in the far east.

Carless to press on with Ryan International bid

By Nikki Tait in London

CARLESS, the UK oil independent, yesterday made clear that it intends to plough on with its proposed £104.2m ($177.1m) offer for Ryan International, the opencast coal mining and coal recovery group. This is in spite of public opposition from London Merchant Securities, its largest shareholder, and an expression by Kelt Energy of bid interest in Carless.

In addition, Rawda Investments, the second largest shareholder in Carless with an 8.3 per cent stake, said last night that it has returned proxy cards supporting LMS's opposition and voting against the merger.

Carless shareholders are due to decide on whether the merger should go ahead at an extraordinary general meeting on Friday morning. LMS has already made clear that it will oppose the deal in respect of its 27.2 per cent holding.

Rawda, a Saudi Arabian investment company, added that the decision had been taken "as things stands at the moment" and that it was still watching the situation.

The statement from Carless described the change of stance by LMS, which holds two board seats at Carless and originally said that it supported the merger, as "unfortunate."

When LMS changed its stance, there were strong suggestions – denied by LMS itself – that the investment company was making a final attempt to attract a buyer for its stake.

Monday's statement by Kelt Energy, another quoted oil independent controlled by French businessman Mr Hubert Perrodo, said it was considering a full offer for Carless. Carless dismissed this as "vague and unclear."

Mr Ian Chubb, chief executive of Carless, said the company was experiencing strong institutional support for the Ryan deal and said that private shareholders were voting positively in "increasing numbers." He added there was "absolutely no intention" of postponing Friday's meeting, although he conceded there could be a photo-finish.

Kelt, meanwhile, postponed the announcement of its interim figures – originally scheduled for yesterday – and added modestly to its holding in Carless.

Meanwhile, an LMS director, Mr Robert Rayne, said that the company had been approached by Kelt last Friday "out of the blue."

With both LMS and Carless now actively canvassing support, the Carless price gained 5p to 111p, LMS added 4p at 108p and Ryan lost 8p at 130p.

INTERNATIONAL CAPITAL MARKETS

Euro debut for Swedish kronor

By Dominique Jackson

TWO SYNDICATE teams took advantage yesterday of an opportunity to launch new dollar straight issues ahead of tomorrow's US trade report for August.

Secondary Eurodollar prices were marginally easier on limited profit-taking and volumes were generally low as dealers levelled positions ahead of the data. Reports continued to circulate that a major North American borrower was due to make a substantial dollar straight issue but the identity of the lead manager remained a mystery.

Yesterday also saw a Eurobond market innovation – the first ever Euro-Swedish kronor bond. This was a SKr500m five-year issue for the World Bank, carrying a 10½ per cent coupon and priced at 101⅝, lead managed by Skandinaviska Enskilda Banken with Enskilda Securities as book runner.

Although Euro-issues have already been seen from Norway, Denmark and Finland, this is the first time the Swedish regulatory authorities have given their approval to such an issue. As such, it is thought to signal a move towards the opening up the Swedish capital markets – where fairly stringent exchange and capital flow controls are still in place – ahead of the unification of the European Community's distinct markets in 1992.

Foreigners are still not permitted to buy Swedish government debt and this issue represents an opportunity for the international investment community to invest freely in a debt instrument denominated in Swedish kronor. The issue saw good Continental retail demand and finished the day bid at a discount of 0.40, comfortably within total fees.

Nikko Securities brought Swedish Export Credit to the dollar straight sector with a two-year $100m deal at 8⅞ per cent and 101⅛ for a spread at launch of 37 basis points over comparable Treasury issues. The shorter end of the Treasury market was barely affected yesterday and good European demand for the triple-A rated borrower was reported. By the end of the day, the issue was bid at a discount equal to its total fees.

Deutsche Bank Capital Markets led a $150m four-year issue for Mercedes Benz Credit which carried a 9 per cent coupon but was launched at a yield margin of 32 basis points over comparable Treasuries. The launch of this deal appeared to follow the pattern established by the borrower over its last few issues.

Although the borrower is not rated, previous deals have performed well. The borrower has consequently built up something of a following among London-based fund managers although a substantial amount

INTERNATIONAL BONDS

of the paper is expected to find medium-term retail interest. Demand was brisk and the initial spread soon narrowed in to a margin of 26 basis points. The bid was comfortably inside fees by the end of the day.

In New Zealand dollars, Denmark brought a NZ$60m, three-year issue at a price of 101⅞ through Fay, Richwhite, the first time a New Zealand firm has lead managed an issue in the currency.

Fay, Richwhite said it arranged a swap into floating-rate dollars at a rate below London interbank offered rates. The transience of swap opportunities has meant that the sector has managed only about one issue a week now for the last couple of months. It said the issue was trading within fees, being bid at a discount of 1⅞ to issue price.

The Australian Industry Development Corporation tapped the Euromark sector with a 10-year DM200m issue, its first D-Mark issue since 1972. The 6⅛ per cent coupon was considered fair although the 101½ per cent issue price was thought to be on the high side. While the lead manager, Commerzbank, said the deal was bid at a discount of 2⅛, on a level with its total fees, other houses quoted it bid at a discount of 2⅝.

Credit Suisse was the lead manager on a SFr125m six-year deal for Heron International Finance, on which one of the guarantors is Heron Plc. The deal carries a 5¼ per cent level but further terms will be fixed by Friday. There are provisions for the total issue amount to be increased to SFr150m.

An 5¾ per cent issue for Bond Finance trading in Switzerland for the first time finished its first day at 99, compared with its original issue price of par.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Mercedes Benz Cr.◆	150	9	101¾	1992	1⅝/1⅛	Deutsche Bk Cap.Mkts
Swedish Export Cr.◆	100	8⅞	101⅛	1990	1⅛/⅝	Nikko Secs (Europe)
Final terms fixed on:						
Korakuen Co. (f)‡◆	100	5	100	1992	2¼/1½	Yamaichi Int.(Eur)
NEW ZEALAND DOLLARS						
Denmark◆	60	14	101⅞	1991	1½/1	Fay, Richwhite
SWEDISH KRONOR						
World Bank◆	500	10½	101⅝	1993	1⅝/1⅛	Enskilda Secs.
D-MARKS						
AIDC◆	200	6⅛	101½	1998	2½/1½	Commerzbank
Hokuriku Elec.Ind.‡	100	(2¼)	100	1993	2¼/1½	Nomura Europe
Dynic Corp.‡	60	(2¼)	100	1993	2¼/1½	Deutsche Bank
SWISS FRANCS						
Heron Int. Finance	125	5¼	(100)	1994	n/a	Credit Suisse
Final terms fixed on:						
Taiyo Kobe Bank(a)§◆	150	½	100	1993	1½	UBS
Taiyo Kobe Bank(b)★★§◆	150	½	100	1993	1½	UBS
Bridgestone Corp(c)★★§◆	100	½	100	1992	1½	UBS
GUILDERS						
Toyota Motor Cr.(d)★★◆	150	½	98	1993	2/1¼	ABN
YEN						
Swedbank (e)◆	5bn	7	101¼	1992	1⅝/1⅛	Nikko Secs (Europe)
Toronto-Dom. Bk(e)◆	5bn	6½	101⅛	1993	1⅝/1⅛	IBJ Int.

★Not yet priced. ★★Private placement. ‡With equity warrants. §Convertible. ◆Final terms. Put options fixed: a) 31/3/91 at 108¼ to yield 3.73%. b) 31/3/91 at 108¼ to yield 3.78%. c) 31/12/90 at 107 to yield 3.89%. d) With currency warrants. Each Fl10,000 has 28 warrant to buy $500 with DM between Oct. 1988 and Oct. 1990. e) Redemption linked to Nikkei stock index. f) Coupon fixed as indicated.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on October 11

[illegible]

* No information available-previous day's price
† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Mortgage issues get insurance backing

By Nick Bunker

THE developing 18-month-old market in the UK for insurance of mortgage-backed securities issues has received a further boost with news that three London insurers have formed a pool of capital for underwriting financial risks.

Known as the London Financial Pool, its founder members are National Employers Mutual, Municipal General and the International Insurance Company of Hannover, the British subsidiary of West Germany's Hannover Reinsurance Company.

Mr Alistair Malcolm, managing director of AMA Underwriting Agencies, which has put the pool together, said its first products would be UK mortgage pool indemnities, which insure issuers of mortgage-backed securities against the risk of default by borrowers.

The standard basis for insuring a mortgage-backed issue is that the insurer gives cover against the catastrophe risk of mortgage defaults combining with a collapse of house prices to produce large losses from a loan portfolio.

"It's a sort of comfort to support investor perception of the securities, rather than protection against any specific individual loss," Mr Malcolm said. In the case of a £100m issue of securities, the insurer would normally provide cover against between £6m and £7m of losses in excess of a deductible of about £500,000, he added.

The UK's first mortgage pool indemnity policy was underwritten in early 1987 by Sun Alliance, the composite insurer, to cover an issue of mortgage-backed securities by the National Home Loans Corporation.

Sun Alliance's leading role partly stemmed from the fact that it was almost unique in the UK insurance industry in that its non-life insurance arm was triple-A rated by Standard & Poor's the US rating agency.

According to an estimate by Mr Nicholas Millard, senior analyst with Sedgwick Associated Risks, part of the Sedgwick insurance broking group, UK mortgage pool indemnities could be producing about £7.5m in premiums for the insurance industry by the end of the decade.

Mr Malcolm, a former chief executive of Pan Financial, a London-based credit insurer, said he believed that mortgage indemnity policies and other types of insurance support for securitised debt issues "represent one of the greatest opportunities for premium growth to the insurance industry in the coming decade."

Spanish buy-out group formed

By Our Financial Staff

DILLON READ, Compagnie Financière de Suez and Spain's Mercapital have set up a Spanish investment group to participate in buy-out transactions and take shareholdings in Spanish companies.

Dillon Read said the new company, known as Sudimer Buy-Out Fund, would have $60m in capital. The buy-out activity will involve the acquisition of voting control of public or private businesses achieved through moderately leveraged instruments," it said. The company will be open primarily to non-Spanish investors.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Treasuries hit by higher oil prices and weak dollar

By Janet Bush in New York and Stephen Fidler in London

US TREASURY bonds weakened yesterday as the market reopened after the Columbus Day holiday, undermined by higher oil prices and weakness in the dollar.

In late New York trading, long-dated maturities were quoted as much as ½ point lower. The Treasury's benchmark 30-year issue stood ½ point lower to yield 8.86 per cent.

The Senate was scheduled to vote last night on the technical corrections tax bill which contains a provision to give the Treasury unlimited authority to issue long bonds. The Senate majority leader said Congress could extend its session if necessary to make sure the bill got through. This improves the chances of a long bond sale in November's quarterly refunding.

Crude oil prices on the New York Mercantile Exchange actually fell slightly yesterday but the bond market was reacting negatively to substantial oil price gains on Monday, when there was no trading in US government bonds.

November crude futures jumped 66 cents a barrel to $13.60 on Monday but dipped back 18 cents by mid-afternoon yesterday.

Yesterday was also the first chance for the bond market to react to marked dollar vulnerability since last Friday's publication of weaker than forecast employment figures. Bond traders said the dollar's softness, which is also partly related to a sharp rise in sterling and nervousness about tomorrow's US trade figures for August, has begun to undermine bonds.

Both bonds and equities have failed to follow through on their sharp rallies last Friday on belief that the economy has decelerated enough to obviate the need for another tightening in monetary policy. However, both markets are waiting for more evidence of economic weakness. Friday sees the publication of September retail sales, producer prices and industrial production.

AN embarrassing slip-up at the monthly sale of French government bonds last week — in which one firm mistakenly put in a bid for FFr300m of long bonds at three percentage

GOVERNMENT BONDS

points above the prevailing market price — is likely to accelerate changes to the auctioning system, according to primary dealers in Paris.

The Treasury is said to have accepted the bid, leaving the firm with immediate losses totalling FFr9m. The firm has not been named, but it is said not to have been one of the primary dealers, known as SVTs, but one of the other institutions allowed to bid.

Dealers said this had consequences other than the fact that it brought the average yield on the bonds down by a few basis points.

It underlines the anachronistic auctioning system, under which firms are placed under great pressure because bids have to be delivered in sealed envelopes to the Bank of France by 10am, before the Matif futures market opens. This in any case puts those furthest away geographically from the central bank at a disadvantage, it is claimed.

Dealers said it was likely to speed the planned computerisation of the auction system, already in effect for the sale of the short-term notes, or BTANs. The error is said simply to have been typographical.

AFTER an extraordinary rally on Monday, the Irish government bond market weakened by about ¼ point yesterday. Bond prices rose 1½ point on Monday after a tax amnesty in Ireland yielded nearly 17 times the I£30m the Government had originally anticipated.

The Irish market has performed better this year than just about any in Europe. Long yields, which stood at 10½ per cent at the turn of the year, are now at 8¾ per cent while yields on medium-dated stock have fallen two percentage points to 8½ per cent.

The reasons are threefold: while still large in comparison to the size of the economy, the government budget deficit has been falling significantly recently. Fund-raising has been concentrated in the short-end of the market and overseas.

Furthermore, the country's external position has been transformed from one of current account deficit to a strengthening surplus in a couple of years. Thirdly, inflation has now fallen below 2 per cent.

PRICES of UK gilt-edged stock backed off about about ⅛ to ¼ percentage points, after starting firm because of the strength of sterling. Reports of Bank of England intervention to stem sterling's rise took the wind out of the market's sails. Market confidence about the Bank's willingness to purchase bonds across the board appeared to wane, although it reportedly did again purchase some long-dated bonds.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	111-02	-4/32	10.08	10.23	10.59
		8.750	9/97	94-30	-3/32	9.61	9.82	10.13
		9.000	10/08	99-30	-4/32	9.01	9.15	9.49
US TREASURY*		9.250	8/98	103-09	-10/32	8.74	8.85	9.00
		9.125	5/18	102-22	-16/32	8.87	8.95	9.06
JAPAN	No 105	5.000	12/97	101.0507	+0.225	4.84	4.94	5.20
	No 2	5.700	3/07	106.1063	+0.101	5.06	5.15	5.51
GERMANY		6.500	5/98	100.2750	-0.125	6.48	6.58	6.63
FRANCE	BTAN	9.000	7/93	102.0260	-0.117	8.44	8.47	8.71
	OAT	8.500	6/97	99.7250	+0.025	8.53	8.64	9.04
CANADA*		9.500	10/98	97.1250	-1.000	9.96A	9.94	10.19
NETHERLANDS		6.500	7/98	101.6250	+0.100	6.31	6.45	6.58
AUSTRALIA		12.500	1/98	103.4880	-0.265	11.85	11.93	11.73

London closing. *denotes New York close
Yields: Local market standard
Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Chicago delays launch of contract

By Deborah Hargreaves in Chicago

TWO OF Chicago's major futures and options exchanges have delayed the launch of a new stock index futures contract because of an unexpected amount of interest.

The Chicago Board of Trade and the Board Options Exchange, which developed the CBOE 250 index futures as part of a joint venture, have put off the start of the new contract from November 1 to November 11. The exchanges say they were surprised at the number of traders from both exchanges who wanted to trade the contract.

More than 500 traders have expressed an interest in trading the new contract, which will be the first stock index futures product to start up since last October's stock market crash. The delay in the launch has been caused by the need to process registrations for the traders and conduct seminars about trading the new contract in conjunction with the CBOE's existing stock index options.

The CBOE 250 will trade in a special pit on the floor of the options exchange with a link to its Standard & Poor's 100 and S&P 500 index options pits by a catwalk. The proximity of the futures and options contracts is intended to improve arbitrage trading.

However, with the torpor that has dominated stock index futures and options trading in the aftermath of the crash, the exchanges were expecting a slow start to the new index.

Volume in the CBOE's S&P 100 option has been halved from its level this time last year.

Initial volume in the new futures contract could be boosted by bored traders from the S&P 100 looking to create some action between the futures and options, market players say.

The next couple of months are likely to see a spate of new stock index contracts as exchanges across the US wheel out their new products, which have been delayed by a moratorium on new stock indices imposed by the futures regulatory agency after the crash.

Liffe and LTOM fall into step

Dominique Jackson on links between London's derivative markets

The London International Financial Futures Exchange and the London Traded Options Market (LTOM) finally took a significant step in tandem yesterday with the publication of a new set of joint initiatives — the fruit of more than 18 months of talks between the two markets.

While a full-scale merger still seems out of the question, the two markets are now far better positioned both to help maintain London's pre-eminence as the leading European centre for derivative products and to reinforce the single industry lobby in the protracted struggle for the clarification of the tax and regulatory position of futures and options.

Speaking at a recent futures and options conference in London, Mr Francis Maude, the UK Corporate Affairs Minister, renewed a frequent plea for closer links between London's diverse range of markets.

While this need for greater co-ordination has been recognised for some time, LTOM and Liffe officials came in for some criticism for dragging their feet over the issue when the only tangible result of the negotiations emerged last August in the form of a mildly worded statement of co-operation.

However, critics probably underestimated the sheer volume of behind-the-scenes work needed to effect even the most straightforward link between two superficially similar but structurally quite distinct markets, while progress was severely interrupted by the equity market crash which provided more pressing topics for discussion this time last year.

According to Mr Geoffrey Chamberlain, chairman of the options committee of the Stock Exchange, the key to increased co-operation is the proposed common use of the TRS trade matching, allocation and assignment system, developed by Liffe and in the final stages of implementation at Liffe itself. The system will be adapted to meet the differing needs of the LTOM and should be progressively introduced from the second quarter of 1989. This will allow the many common member firms to use the same automated systems from the time the trade is done to the time it is ready for clearing, thus saving substantially on both hard and software and back office costs.

Once the practical side of co-operation is thus in place, more complex issues can be confronted, such as the establishment of a common guarantee for both markets and the feasibility of allowing margin off-sets between Liffe's FTSE future and LTOM's FTSE option. LTOM has embarked on a major study of its own clearing arrangements as the first step in this process. However, the quest for a common guarantee is one which is expected to throw up a host of legal problems.

The Stock Exchange is an agency market, with its members acting as agents for the principals or end users and the exchange itself provides the guarantee for the options market. Liffe, on the other hand, is primarily a principals' market, with the International Commodities Clearing House providing the guarantee.

A top priority among the new initiatives is the enhancement of liquidity in the FTSE contracts traded on both exchanges. To date, the performance of both the LTOM FTSE option and the Liffe FTSE futures contract has been disappointing, with daily volume far below levels in any way comparable with those in the US, where index products account for around 50 per cent of derivatives market turnover.

Improved liquidity of the FTSE contracts would facilitate greater use of index arbitrage, as advocated in the Stock Exchange's post-crash Quality of Markets report. Further steps towards this goal, such as the trading of a whole basket of stocks on the cash market, have been examined but settlement problems look

Michael Jenkins: headway with Inland Revenue

set to delay this development.

Increased use of index arbitrage is only one industry hobby horse currently held up by various taxation problems. However, there are clear signs that recent co-operation between LTOM and Liffe, getting together to clarify tax and regulation problems still faced by the options and futures markets, has made some headway with both the Inland Revenue and the Department of Trade and Industry, according to Mr Michael Jenkins, Liffe chief executive

Both markets have also recently joined forces with the Amsterdam-based European Options Exchange and French and German industry forces to form an EC lobby for the particular needs of the derivatives industries as the myriad securities directives are gradually refined in Brussels.

According to Mr Tony de Guinguand, LTOM director, the new initiatives will allow both markets to enjoy all the benefits of a merger without complete integration, a step which the distinct membership and equity structures of the two markets would make difficult.

The fact that both are committed to fruitful co-operation is witnessed by the concessions that both have made in the latest statement. Liffe has agreed to suspend the listing of its option on the FTSE futures contract, while the LTOM will suspend the listing of their two gilt option contracts following expiry of the months currently listed for trading.

As far as physically uniting the two markets goes, the question of joint premises is still very open. A project to put both on to the Stock Exchange floor was considered but then dismissed as too expensive.

Liffe is currently coping with space constraints — the new German bund contract was accommodated on the existing floor with the minimum of trouble — but more space will be needed to cope with anticipated expansion at some stage in the future, Mr David Burton, Liffe chairman, said. However, while co-location with the LTOM on a new floor could provide a short-term answer to these problems, move plans could well be pre-empted within the next few years by a move to screen-based trading of futures and options.

Australia redeems $600m FRN early

THE SUPPLY of high-quality outstanding floating-rate notes in the international market is set to shrink further as Mr Paul Keating, Australian Federal Treasurer, announced the redemption of a US$600m issue launched in 1986, writes Our Euromarkets Staff.

In recent months, the UK and Italy have announced the early redemption of large floating-rate notes, which have become expensive compared with alternative sources of finance. Sweden and Belgium also have floating-rate notes outstanding which make them eligible for call fairly shortly.

Australia has started a campaign to reduce its external debt. It is expected to redeem around A$3bn of overseas debt in the current financial year, after calling A$1.5bn last year.

Mr Keating, who made the latest announcement in London yesterday, said in West Berlin last month that the Government would redeem bonds totalling SFr1.01bn. It had previously disclosed an intention to call A$700m of "Samurai" bonds launched in the Japanese market.

The 12-year, floating-rate note, lead managed by Credit Suisse First Boston, paid interest at six-month London interbank bid rates.

Australia's budget surplus for the current fiscal year is forecast at A$5.5bn, allowing it to repay A$3bn of foreign debt and A$2.5bn of domestic debt. Last year, it repaid A$1.6bn of foreign debt and A$2.2bn in Treasury bonds.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section	Tuesday October 11 1988: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Mon Oct 10: Index No.	Fri Oct 7: Index No.	Thu Oct 6: Index No.	Year ago (approx): Index No.
1	CAPITAL GOODS (210)	813.39	-0.1	10.62	4.10	11.65	21.51	813.93	809.42	803.51	1014.19
2	Building Materials (29)	1028.32	-0.3	11.92	4.26	10.36	26.51	1031.11	1021.25	1013.77	1252.93
3	Contracting, Construction (37)	1627.40	+0.5	11.45	3.58	11.39	39.82	1619.30	1605.43	1588.15	1886.51
4	Electricals (12)	2312.23	+0.6	8.73	4.45	14.01	55.75	2299.03	2252.14	2226.81	2596.31
5	Electronics (29)	1733.81	—	10.24	3.61	12.57	40.71	1733.66	1724.05	1715.19	2281.54
6	Mechanical Engineering (57)	423.45	+0.2	10.31	4.22	11.90	12.05	422.81	422.29	419.90	543.88
8	Metals and Metal Forming (7)	494.97	+0.3	9.82	3.91	12.58	10.06	493.66	489.66	488.07	591.09
9	Motors (16)	284.94	-0.4	11.45	4.65	10.07	8.12	286.03	284.38	282.08	411.42
10	Other Industrial Materials (23)	1367.94	-0.6	9.66	4.47	12.22	43.00	1376.00	1379.05	1366.75	1784.31
21	CONSUMER GROUP (186)	1075.24	-0.1	9.35	3.72	13.47	20.92	1076.34	1077.61	1073.71	1355.10
22	Brewers and Distillers (21)	1120.45	-0.1	10.59	3.68	11.91	23.00	1121.29	1116.67	1118.04	1233.26
25	Food Manufacturing (21)	965.66	—	9.16	3.91	13.00	18.95	965.13	968.22	965.60	1031.52
26	Food Retailing (16)	1880.86	+0.3	9.39	3.58	14.07	41.69	1875.62	1877.29	1852.97	2587.03
27	Health and Household (12)	1915.00	-1.3	6.78	2.57	17.04	18.01	1941.19	1941.25	1938.73	2395.21
29	Leisure (30)	1376.16	-0.2	8.94	3.74	14.34	29.97	1378.59	1378.37	1375.02	1504.79
31	Packaging & Paper (17)	551.47	+1.1	10.13	3.94	12.58	13.94	545.22	545.30	539.40	718.25
32	Publishing & Printing (19)	3335.45	-0.6	8.62	4.25	14.48	88.46	3356.33	3355.21	3338.51	5019.78
34	Stores (34)	772.59	+1.0	10.82	4.32	12.15	16.78	764.80	771.23	767.25	1138.60
35	Textiles (16)	508.78	-0.5	13.62	5.46	8.62	12.74	511.45	509.88	509.98	905.02
40	OTHER GROUPS (92)	905.73	-0.7	11.14	4.44	10.94	22.77	912.26	912.36	906.92	1179.67
41	Agencies (19)	1069.31	-0.5	8.17	2.59	15.47	18.88	1075.45	1074.74	1073.51	1690.70
42	Chemicals (22)	1050.75	-1.0	12.14	4.85	9.89	37.01	1060.92	1061.86	1059.81	1530.88
43	Conglomerates (11)	1255.32	-0.8	10.46	4.54	10.92	24.92	1265.92	1262.39	1250.83	1536.89
45	Shipping and Transport (12)	1932.26	-0.3	11.71	4.79	11.17	50.83	1938.95	1946.19	1940.33	2403.04
47	Telephone Networks (2)	977.57	-0.9	11.36	4.55	11.43	20.38	986.55	988.62	979.09	1109.29
48	Miscellaneous (26)	1227.11	-0.3	11.51	4.42	9.90	37.16	1231.15	1227.73	1219.54	1739.42
49	INDUSTRIAL GROUP (488)	975.16	-0.3	10.18	4.02	12.19	22.35	977.69	976.77	971.65	1236.01
51	Oil & Gas (12)	1738.17	-0.3	10.84	6.40	11.02	76.25	1742.58	1748.64	1751.19	2213.14
59	500 SHARE INDEX (500)	1040.17	-0.3	10.27	4.34	12.14	26.85	1042.86	1042.51	1037.99	1319.10
61	FINANCIAL GROUP (123)	695.69	-0.2	—	5.10	—	22.86	697.32	695.55	695.95	896.67
62	Banks (8)	680.39	-0.1	21.14	6.42	6.34	31.13	681.07	677.70	678.37	878.94
65	Insurance (Life) (8)	1004.70	-1.5	—	5.24	—	36.93	1019.99	1016.83	1013.04	1274.46
66	Insurance (Composite) (7)	541.03	+0.3	—	5.77	—	18.56	539.47	536.31	534.68	787.58
67	Insurance (Brokers) (7)	958.05	-0.2	9.31	6.74	13.40	44.40	960.33	960.20	958.74	1255.66
68	Merchant Banks (11)	337.61	-0.3	—	4.36	—	9.20	338.40	337.90	336.67	546.45
69	Property (51)	1217.39	-0.2	5.47	2.72	23.35	16.95	1219.44	1220.99	1229.73	1351.33
70	Other Financial (31)	365.87	+0.1	10.50	5.47	11.90	11.66	365.43	364.69	364.44	603.19
71	Investment Trusts (78)	926.37	-0.3	—	3.06	—	15.75	929.36	926.38	923.74	1199.99
81	Mining Finance (2)	574.12	+0.8	10.65	3.64	10.47	15.67	569.34	588.51	582.03	691.99
91	Overseas Traders (8)	1308.83	+0.2	9.54	4.43	12.16	35.31	1306.34	1310.00	1308.22	1364.12
99	ALL-SHARE INDEX (711)	954.21	-0.2	—	4.41	—	25.42	956.44	956.27	952.83	1210.07

	Index No.	Day's Change	Day's High	Day's Low	Oct 10	Oct 7	Oct 6	Oct 5	Oct 4	Year ago
FT-SE 100 SHARE INDEX ♦	1838.3	-5.8	1842.1	1835.5	1844.1	1844.7	1838.9	1826.3	1807.3	2358.2

FIXED INTEREST

	PRICE INDICES	Tue Oct 11	Day's change %	Mon Oct 10	xd adj. today	xd adj. 1988 to date
	British Government					
1	5 years	119.71	+0.01	119.69	—	9.69
2	5-15 years	137.92	-0.11	138.21	0.14	10.47
3	Over 15 years	149.48	-0.09	149.61	—	11.23
4	Irredeemables	173.26	-0.24	173.68	—	8.84
5	All stocks	134.77	-0.07	134.93	0.07	10.37
	Index-Linked					
6	5 years	128.66	-0.09	128.78	—	1.81
7	Over 5 years	123.60	-0.16	123.80	—	2.68
8	All stocks	123.83	-0.16	124.02	—	2.59
9	Debentures & Loans	117.93	-0.09	118.04	—	8.66
10	Preference	88.36	+0.01	88.35	—	4.98

	AVERAGE GROSS REDEMPTION YIELDS		Tue Oct 11	Mon Oct 10	Year ago (approx.)
	British Government				
1	Low	5 years	9.58	9.57	9.57
2	Coupons	15 years	9.21	9.20	9.86
3		25 years	8.92	8.91	9.70
4	Medium	5 years	9.98	9.96	10.27
5	Coupons	15 years	9.43	9.40	10.11
6		25 years	9.07	9.06	9.90
7	High	5 years	10.07	10.05	10.33
8	Coupons	15 years	9.59	9.56	10.28
9		25 years	9.17	9.14	9.95
10	Irredeemables†		8.87	8.85	9.93
	Index-Linked				
11	Inflation rate 5%	5yrs.	3.22	3.17	3.68
12	Inflation rate 5%	Over 5 yrs.	3.81	3.79	4.36
13	Inflation rate 10%	5yrs.	2.16	2.10	3.76
14	Inflation rate 10%	Over 5 yrs.	3.64	3.63	4.38
15	Debs &	5 years	11.79	11.75	11.83
16	Loans	15 years	11.14	11.13	11.54
17		25 years	10.76	10.76	11.33
18	Preference†		10.19	10.19	10.96

♦Opening index 1838.6; 10 am 1841.3; 11 am 1836.1; Noon 1839.1; 1 pm 1839.0; 2 pm 1839.6; 3 pm 1838.3; 3.30 pm 1839.2; 4 pm 1839.6
† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	17	79	16
Corporations, Dominion and Foreign Bonds	13	15	21
Industrials	327	445	824
Financial and Properties	131	168	365
Oils	18	37	50
Plantations	1	2	10
Mines	62	36	94
Others	60	95	93
Totals	629	877	1,473

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

- First Dealings July 25
- Last Dealings Aug 5
- Last Declarations Oct 27
- For settlement Nov 7

For rate indications see end of London Share Service

Calls were taken in Allied-Lyons, Sound Diff, Lon.Int Group, Regentcrest, Norton Opax, Benlox, Wimpey, Mountleigh, Mowat, B. Matthews, Boddingtons, Lambert & Howarth, Gateway, Brook Tool, Control Secs, Hickson Int, Radio Clyde, Stormguard.

LONDON TRADED OPTIONS

Option		CALLS Oct.	Jan.	Apr.	PUTS Oct.	Jan.	Apr.
Allied Lyons (*473)	460	23	45	58	11	23	30
	500	7	24	36	33	45	53
Brit. Airways (*165)	160	9	14	19	3	8	11
	180	1½	5	9	16	20	22

Option		CALLS Nov	Feb	May	PUTS Nov	Feb	May
Plessey (*163)	140	26	29	35	1	3½	5½
	160	9½	15	21	5	12	13
	180	3	7½	11	18	21	24

[illegible]

October 11 Total Contracts 35,973 Calls 27,600 Puts 8,373
FT-SE Index Calls 1745 Puts 2136
*Underlying security price.

BM fires opening salvo at 'disappointing' Jas Neill

By Andrew Hill

BM GROUP, the acquisitive engineering, construction and building supplies company which wants to buy James Neill Holdings, yesterday said that output at the hand and garden tool manufacturer would immediately increase by 25 per cent under BM management.

Mr Roger Shute, BM chairman and chief executive, fired the opening shots of what could develop into a hard-fought bid battle after announcing a 74 per cent increase from £5.09m to £8.84m in BM's pre-tax profits for the year to June 30 1988.

"I personally feel that considering James Neill has such great brand names, its performance has been disappointing," said Mr Shute, adding that the output of the Sheffield-based company, in which BM has a 4.87 per cent stake, would double in the four years following a successful bid.

Mr Shute said BM had built up the stake, uncovered by James Neill two weeks ago, over a seven-month period, but he would not be drawn on the timing of any offer.

"I'm actually renowned as an impatient man, but I think you will find I'm prepared to be patient on this one," he said.

BM also hopes to announce a small acquisition in France next Tuesday. The purchase of the distributor of construction equipment will be BM's first significant move overseas.

Turnover at BM, formerly Braham Millar, rose from £78.8m to £119m during the year and earnings per share were up 45 per cent at 23.8p (16.4p).

The acquisition in March of two building products subsidiaries of Beazer, construction and aggregates group, contributed £1.44m to pre-tax profits. Profits from existing businesses increased by 45 per cent.

The construction division made £4.9m (£3.8m) during the year, and now accounts for some 55 per cent of group output. The technologies division – which includes the engineering and plastics subsidiaries – returned profits of £1.8m (£830,000)

The recommended final dividend of 1.8p makes 3p (2.3p) for the year.

● COMMENT

BM may look something of a hybrid, but analysts seem content with Mr Shute's promise of 30 per cent compound earnings growth from existing businesses over the next five years and more than happy with BM's management. This could be the key to victory should Mr Shute turn his fighting talk into a full-scale bid for James Neill, although bid-hungry followers may still have to wait until March for any action, as some observers believe BM wants to cast a critical eye over the tool manufacturer's full-year figures. Such a delay would give BM time to scrape together a larger stake, and woo both James Neill and the institutions in the hope that an eventual offer would be recommended. For the time being, BM's underlying business is apparently performing at record levels and the group should return over £15m for the full year, putting the shares – up 1p to 394p yesterday – on a prospective p/e of about 12, a well-deserved premium to the market.

Norton in £8.7m US purchase

By Clare Pearson

A NEW twist emerged yesterday in the complex saga of Norton Group, one of the few remaining fragments of Britain's motorcycle industry, when the company announced it was shedding its arm that markets collective club memberships and buying a US engineering concern instead.

The $15m (£8.7m) purchase of Pro-Fit Piping Components is to be financed partly by a vendor placing of 60m new ordinary shares, at 10p each, offered to shareholders on a seven-for-six basis.

The sale of London No 1 Club involves the departure of Mr Robert Tanner and Mr Peter Whitfield after less than a year on Norton's board.

Explaining the deals, Mr Philippe le Roux, chief executive, said Pro-Fit was similar to the club businesses in being mature with a strong cash flow, and seemed a more appropriate counter-balance to the company's developing motorcycle and rotary engine manufacturing activities.

He said the purchase gave Norton a springboard into the US market where it expected to make a substantial proportion of motorcycle and engine sales.

The company also announced yesterday that Mr James Tildesley, former chief executive of PSM Fasteners, would be taking over as chairman but Mr le Roux would continue as chief executive. Mr Gerard Mizrahi, of Charles Street Securities, a small US investment bank, is to become a non-executive director.

Norton Villiers Triumph Group, then a property company, achieved a phoenix-like return to the civilian motorcycle industry last year, after it bought the Norton NVT Motorcycles and the patented rotary engine technology from Manganese Bronze. It obtained a Third Market quotation early this year after the London No 1 Club acquisition, made for about £2m in shares.

This business is being sold to a private group for £1m, of which £250,000 is payable up front. Norton Group will retain £750,000 of its cash reserves, as well as the lease on its West End property.

Of the $15m consideration for Pro-Fit, $2m will be retained, and satisfied in shares in full only if the company makes pre-tax profits of $2.4m in the 12 months after acquisition. The vendor will also warrant annualised profits for the seven months to July 1988 of not less than $2.4m.

Norton Group made a pre-tax loss of £149,000 in the six months to end-February.

Next time round a good deal for Ratners

Maggie Urry on Mr Davies' fund raising sale to develop the Directory business

BOTH NEXT and Ratners had some explaining to do yesterday when they announced that the latter was to buy two of Next's chains – Zales and Salisburys – and another 73 shops for £135m, plus £15.8m of debt.

There is certainly some irony in the story since both Next and Ratners bid for Combined English Stores, the previous owner of both Zales and Salisburys, in the spring of 1987. Next won the auction paying £335m for the group.

Yesterday's deal certainly marks a further realignment in the high street at a time when the retail sector is under a cloud in the City. But more particularly, it comes after dull interim figures from Next, which were released at the end of September, raising the suggestion that Next is a forced seller just ahead of the seasonal peak period for profits from Zales.

It also follows an assertion from Ratners, at the time of its interims in mid-September, that it would not be issuing any more shares. Ratners is making a one-for-four rights issue at 175p to raise £80m net which will in part finance the purchase.

Next's Mr George Davies feels a little rueful about the treatment he received from the press and the City when he revealed a bare 2.3 per cent pre-tax profit rise for the half year to end July. That day the shares fell nearly 10 per cent. But he is quick to say that the sale of Zales and Salisbury's is not a panic measure.

Indeed, within those figures underlying growth from what he considers to be Next's core businesses was strong. The decision to sell, he says, dates back to the spring when Next realised it had enough on its plate with its high street chains and the development of its home shopping business, led by the Next Directory launched in January.

The decision taken then, says Mr Davies, was to concentrate on the core Next businesses. "When we bought CES we bought it with the main intention of keeping the momentum of Next going. Next has continued to outperform," he argues, pointing to sales growth of 27 per cent in Next stores at present.

From CES Next has taken 400,000 square feet of retail space, which has been undergoing an expensive refitting programme and shops have been added to the various Next high street chains.

It has also kept Biba, a West German fashion retailer, which Next is keen to keep as a foothold in Europe, plus Allens, a chemist chain, Eurocamp, a holiday group, and Mercado, a carpet wholesaling business. These last three could also be up for sale.

Mr Davies says "the group is essentially wrapped round the brand name Next and the extension of that name, eventually worldwide." He believes the Next Directory "is the biggest potential growth area of any part of our business – and we need cash to develop that."

RATNERS – GROUP STRUCTURE		
At January 30 1988 Company	No of shops	Opened 1987/88
United Kingdom		
Ratners	199	56
H Samuel	337	33
Ernest Jones	59	acquired Aug 1987
Terry's	80	13
Watches of Switzerland	20	2
USA		
Sterling and Westhall*	212	

*Sterling was acquired in August 1987. At that time it had 117 stores in 15 states in the US. Sterling acquired Westhall in October 1987, giving the group a further 71 stores in another 14 states.

At the interim results Next had said its gearing was 125 per cent, and interest charges had cut into profits. This deal will cut gearing to under 50 per cent by the January year end, partly through the boost to shareholders funds from the sale well above asset value.

For its part, Ratners can at least argue that there will be no dilution from the deal, even if it has in effect broken its promise not to issue shares. Mr Gerald Ratner admits "its not the best time in the world to do a rights issue." But he says, "when a deal like this is offered to us it would be ridiculous to turn it down."

It was the attraction of Zales and Salisburys which had drawn Ratners to launch its bid for CES in the first place, and Mr Ratner says he would have sold the other parts of CES anyway. He asserts that he would have paid £200m for the two at the time of the bid, and since then Next has expanded both chains. Therefore, he believes he is getting a good deal.

The pair produced operating profits in the year to January 1988 of £9.5m, but are expected to do significantly better this year, with like-for-like sales at Zales currently running 18 per cent up and at Salisburys 4.5 per cent up. Importantly, the Christmas period provides a large proportion of profits and Mr Ratner expects the two to contribute £5m to group profits in the two months left of the current year when the takeover is completed.

Next year Ratners will have to start work bringing Zales up to the Ratners standard – at the moment he says an average shop in the Ratners group is making an annual profit of £57,000 while Zales is making £26,000. He believes that the Zales sites are "marvellous", the shops are already fully staffed and fitted out to a high standard. It is just a matter, he says, of improving the merchandise and the morale and putting in the highly developed Ratners systems.

There will also be savings in closures of distribution centres, the sale of a head office, and a £40m sale and leaseback programme. Ratners gearing will be 40 per cent at the January year end, falling to 30 per cent by the following year end.

More importantly the deal gives Ratners a new path forwards. Mr Ratner's long stated aim of reaching 1,000 jewellery shops in the UK will be achieved through the Zales purchase. Although Ratners has acquired three businesses in the US, both Mr Ratner and the City, reckon that the good local management can be left to look after that end.

Salisburys is, therefore, Mr Ratner's new interest – and fortunately it is one which analysts believe to be a good business to start with. Selling a range of accessories such as costume jewellery, handbags, briefcases and suitcases, it has little direct competition.

Mr Ratner aims to build up the costume jewellery business, which he says he could not introduce to the main line jewellery shops without "ruining the integrity of the real stuff".

Yesterday Next received the better reaction from the stock market – its shares falling only 2p to 182p while Ratners dropped 24p to 192p.

Boots sells Canadian drug stores

By Clare Pearson

BOOTS, retail chemist and pharmaceutical group, is withdrawing from the Canadian retail market through the sale of its 109 drug stores in the eastern part of the country for an undisclosed sum.

This disposal had not been expected in April when Boots announced it was selling its western Canadian outlets, which were described as the unprofitable part of the business.

Yesterday the company said the western stores had been sold quickly enough to stop the drain on profits from the eastern operation, which is mainly in Ontario. But a further review during the summer had led the company to conclude that the remaining stores were nevertheless producing an inadequate return, and to seek a buyer.

The operation, which has net assets of about C$55m (£26.57m), is being bought by Oshawa Group, a quoted Canadian retail concern. The spokesman said the price was not being disclosed at the purchaser's request.

The Canadian withdrawal is in line with Boots' drive to adopt a more aggressive attitude to its activities, as shown by the sale in July of its shopfitting business.The company has also been striving to tighten management controls and improve information systems in its retail operations.

Boots does not separately state overseas trading results in its figures, but start-up costs in France, and a poor performance in Canada, were described as giving rise to a lacklustre 2.7 per cent increase in profits at the retail division to £126.7m in the year to end-March.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Alexandra Work	int	1.36	-	1.1	-	3.2
Barker & Dobson	int	2	Jan 4	1.5	-	3.5
BM Group	fin	1.8†	-	1.4	3	2.3
Jones Group	int	3♣	-	3	-	9.5
Lloyds Chemists	fin	1.2†	Nov 28	0.85	1.7	0.85
Lds & Manchester	int	3.3†	Nov 17	2.774	-	8.699
Lon&St Lawrence	int	0.6♣	-	-	2.16	1.46
Plaxton	int	3.1‡	-	-	-	4.5
Savage Group §	fin	2†	-	1.5*	3	2.2*
SPS Consultancy§	fin	1.5	Nov 25	1.2	2.25	1.8
Stanhope Props §	fin	0.1	-	-	0.1	-

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♣Third market. ‡Second interim dividend: current period 18 months to December 31. ♣Irish pence throughout. ♣ Special dividend

B&D sells confectionery division

By Nikki Tait

BARKER & DOBSON, the Budgens supermarket company which earlier this year lost a £2bn bid battle for the much larger Gateway group, yesterday announced the sale of its confectionery interests to Alma Caledonia, a privately owned sugar confectionery business based in Kirkcaldy, Scotland.

News of the sale, which was widely expected, coincided with publication of B&D's results for the 28 weeks to July 9. These showed pre-tax profits of £7.9m against £7.12m, after property profits of £1.45m (£967,000) and £2.62m of exceptional income on the confectionery side derived from the earlier sale of the James Keiller preserves trademarks, manufacturing and distribution rights. B&D plans to change its name to Budgens.

Alma, advised by Edinburgh Financial Trust, is buying the confectionery interests for £9.75m cash and assuming bank borrowings of £7.7m. It has arranged a financing package of over £39m, including an equity capital issue of over £15m and a £24m loan package, with £6m of mezzanine finance.

The sale price fell in the middle of expectations. Alma said the purchase will give it annual sales of some £60m, making it the UK's fourth largest sugar confectionery manufacturer.

The businesses involved include James Keiller, Somportex Viceroy and Angus Confections as well as B&D itself, with products ranging from Keiller's butterscotch to Hacks and Victory V lozenges. In 1987, it made trading profits of £700,000 on sales of £33.4m, but moved to a trading loss of £2m in the first half of 1988.

B&D's first half figures showed confectionery trading profits of £1.6m (£1m), on sales of £16.6m (£18.5m). However, this was struck after the exceptional item. On the food retailing front, sales were up from £135.9m to £139.9m. Barker said real volume growth in comparable stores was 7.1 per cent, with another 1.8 per cent coming from extra selling area.

During the period, another 17 stores were refurbished, and by end-1988 40 per cent of the group's selling area is forecast to be overhauled.

Group management costs rose sharply from £513,000 to £1.12m, while interest charges totalled £1.28m (£46,000). Gearing, after the disposal, should come down to about 20 per cent.

Tax took £1.6m (£1.52m) and stated earnings per share were 7.11p (6.63p). As forecast as the time of the Gateway bid in February, the interim dividend is lifted to 2p (1.5p).

Barker retains 2.1m shares in Gateway, but said that there were no immediate acquisition plans on any front.

The confectionery losses and accounting treatment of the Keiller preserves sale proceeds caused surprise among analysts yesterday, with some suggesting that forecasts - previously around £14.5m-15m pre-tax in the 12 months to December - might be scaled down. B&D shares were ½p lower at 140½p yesterday.

Sunset & Vine valued at £3.7m in USM debut

By Clare Pearson

SUNSET & VINE, independent television production company, yesterday joined the Unlisted Securities Market through a placing of 21 per cent of the enlarged equity, valuing the company at £3.7m.

Of the 970,000 shares being placed at 80p each, 64 per cent are to raise new money. The balance is being sold by Mr Colin Frewin, chief executive, cutting his holding in the enlarged capital to 51 per cent.

The company says it is considering acquiring companies complementary to its five-year old World Sport subsidiary.

Turnover and pre-tax profits, after a £20,000 non-recurring item, in the year to end-June amounted to £1.96m and £451,000 respectively.

Programmes produced by the company, founded in 1974, include television entertainment and corporate communications.

It is also involved in sponsored sports television productions where a sponsor underwrites the cost of production in return for free commercial air time. The Gillette-sponsored "World Sport Special", a fortnightly programme on the air in 90 countries, is its best-known venture in the field.

"Julie Andrews and The Muppets", produced for the US CBS Television, and "Hollywood or Bust", a Thames Television vehicle for the entertainer Bruce Forsyth, are past achievements in entertainments.

Alexandra Workwear improves 25% to £3.12m in first half

By Alice Rawsthorn

ALEXANDRA WORKWEAR, which is now the largest workwear manufacturer in Europe, yesterday announced a 25 per cent increase in pre-tax profits from £2.49m to £3.12m in the first half of the year on sales which rose by 21 per cent from £21.66m to £26.27m.

Mr John Prior, chairman and chief executive, said that the company had fared well in every area of activity. Alexandra's first overseas venture in Holland secured further growth and the company is now establishing a base in France.

Earnings per share rose to 6.15p (4.73p) in the 28 weeks to August 13. The board proposes to increase the interim dividend to 1.35p (1.1p).

The chairman said that the pattern of trading had been disrupted by the postal strike in September. Alexandra maintained distribution by switching to private couriers but incurred slightly higher costs as a result. But Mr Prior said that so far the impact on the company had been negligible.

Alexandra is now expanding its production facilities in Scotland. It intends to increase capacity by 30 to 40 per cent in order to accommodate higher demand. This project will absorb a substantial part of its £2m capital expenditure programme this year.

It is also expanding its retail activities. Two new shops opened in Dundee and Newcastle in the first half and another two - including one in Paris - will open over the next six months.

The Dutch operation contributed about 5 per cent of turnover in the interim period. Its sales rose by 13 per cent in local currency, but - because of the strength of sterling against the Dutch Guilder - the increase was restricted to 9 per cent in translation.

Alexandra will open a new sales unit and shop in Paris next April.

● **comment**

Alexandra has been something of a stock market favourite since it went public three years ago. Year after year it has produced the pleasing combination of healthy growth in sales and healthier growth in profits. Its shares have commanded a plump premium to the rest of the textile sector in consequence. But the share price collapsed after the market crash last autumn and has never really recovered. Since the crash the clothing industry has become increasingly competitive as imports have escalated. Yet Alexandra, as a workwear manufacturer, is insulated from imports and is set to benefit from the long-term growth of industrial and career clothing. The City expects an increase in profits to £6.3m this year putting the shares, at 138p, on an prospective p/e of 11 which owes more to disillusion with the rest of the clothing industry, than to doubts about Alexandra. Undemanding.

Shares in Rush & Tompkins jump to 303p

SHARES in Rush & Tompkins, the construction group, jumped 26p to 303p in trading yesterday prior to the announcement that OVS Investment, the Australian company controlled by Mr Dick Pratt, had sold a 9.9 per cent stake. The sale was announced after trading closed.

Mr John Lester, an OVS director, said the stake was acquired when OVS was an investment company, before it concentrated in paper and packaging. He did not know to whom the stake had been sold. OVS still holds 2.4 per cent.

Acquisitions boost Savage Group to £7m

By Clare Pearson

TEN acquisitions in the UK and France by Savage Group, DIY hardware concern, gave rise to sharply higher pre-tax profits of £7m, from £2.3m last time, in the year to end-June.

Organic growth in existing subsidiaries contributed 22 per cent of the rise. Earnings per share were up at 12.5p (7p).

Turnover rose to £61.94m (£18.42m). A minority interest of £51,000 represented the 49 per cent share of Savage's French partner in the Habitat group's profits. A final dividend of 2p (1.5p), making 3p (2.25p) for the year is proposed.

Plaxton joint venture with Fiat

By Andrew Hill

PLAXTON, UK coachbuilder and motor dealer, has signed a joint agreement with Iveco, the commercial vehicle arm of Italian motor group Fiat, to develop new express and tourist coaches and exploit international export opportunities.

Unveiling profits of £3.73m before tax in the second interim period of nine months to June 30, Plaxton announced it had bought Iveco's French coachbuilding subsidiary, Carrosserie Lorraine, for an unspecified nominal sum.

The Italian company will continue to supply chassis and to offer sales and service support for the Lorraine range. It has also given Plaxton a three-year contract to build coachwork for its inter-city and touring buses.

Plaxton claims about 50 per cent of the luxury coach market in the UK, but has a negligible presence in continental Europe. Mr David Matthews, chairman, said the UK group wanted to start trading on the continent in preparation for the introduction of a single European market in 1992.

In addition, Plaxton has changed its year end from September 30 to December 31 and divided its business into three operating divisions.

Roadlease, accounting for about 10 per cent of turnover and profits, handles Plaxton's contract hire and leasing operations. Kirkby, operates the group's six Ford and General Motors car dealerships and contributes about 40 per cent of annual turnover and profits, with the balance of 50 per cent supplied by the core coachbuilding activity.

Profits for the period compared with £123,000 before tax in the six months to March 1987, or £1.49m in the year to September 30 1987.

Turnover was nearly £140m, against £99.9m in the last reported full year. Earnings per share were 11.7p and the company declared a second interim dividend of 1.5p.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Abbey Life, Avis Europe, Cluff Resources, Johnson Group, Lawrence (W), London & Assoc. Inv Trust, Second Market Inv Trust, Tudor, UEI.

Finals- Albo, AMI Healthcare, Bisichi Tin, Britannic Security, Castle Communication, Kingston Oil & Gas, Pochin's, Portland, Sinclair (W), Tay Homes.

FUTURE DATES

Interims-	
Centreway Trust	Oct 18
Chepstow Racecourse	Oct. 18
Farnell Electronics	Oct. 18
Forward Technology	Oct. 13
Gerrard & National	Oct. 20
Hambros Inv Trust	Nov. 10
House of Lerose	Oct. 19
Monotype Corp	Oct. 14
Silvermines	Oct. 20
Finals-	
Allied London Props	Oct. 17
Klark-Teknik	Oct. 19
Synapse Computer Servs	Oct. 17

UK COMPANY NEWS

Stanhope Properties' net asset value jumps

By Paul Cheeseright, Property Correspondent

STANHOPE PROPERTIES, the property development company founded by Mr Stuart Lipton, in which Olympia & York has taken a 33 per cent stake, yesterday announced a sharp rise in its net asset value to 157p a share at June 30 compared with 43p a year earlier.

The figure was disclosed with the company's annual results. The market had been expecting a substantial uplift and the share price rose 2p to 250p. The price thus remains at a marked premium to the net asset value, contrary to the general tendency in the sector.

Announcement of the figures coincided with news that Phase Four of the Broadgate development has been let to Japanese groups. Stanhope is in a joint venture with Rosehaugh and British Rail Property Board at Broadgate, the biggest City of London office development, where in 14 phases 3.3m sq ft of office space will be provided.

Phase Five of Broadgate has been sold to Bankers Trust and Stanhope's share of this proved to be the main element in its pre-tax profits of £12.6m (£0.5m) for the year to June. Stanhope drew in £10m as its share from related companies, in this case Rosehaugh Stanhope Developments.

The other significant element in the pre-tax result was interest receivable at £4.1m (£1.7m). Olympia & York, the privately-owned Canadian group which is developing Canary Wharf in London Docklands, last May agreed to pay £137m for one third of the enlarged equity of Stanhope. Half of that amount has been received, leaving Stanhope with a cash balance.

Earnings per share were 10.8p against 0.2p. But Stanhope, in its first dividend payment since flotation just before the October crash, has declared a nominal 0.1p. This is consistent with its declaration at the time of flotation on the USM that its object was to build up assets and hence dividend payments in the near future would be minimal.

The group's net assets were £260m against £43m. Apart from Broadgate, where the early phases have been revalued, Stanhope has investment properties through its 29 per cent stake in Stockley Park and a building on London Wall. It has also development properties in joint ventures with Kajima, Trafalgar House and ITN.

But Stanhope's immediate prospects are linked, in the view of the market, to the success of Broadgate and its ability to attract tenants. Mitsui Bank, Mitsubishi Bank, Mitsubishi Finance International and Mitsui Trust and Banking are together taking a total of 200,000 sq ft of space at a rent of £65 a sq ft in Phase Four. Williams de Broe, the stockbroker owned by Banque Bruxelles Lambert, is taking a further 23,000 sq ft.

Meanwhile Baring Investment Management has pre-let 80,000 sq ft of Phase Seven.

Salvesen plans West German expansion

By Vanessa Houlder

CHRISTIAN SALVESEN, Edinburgh-based frozen food distributor, plans to strengthen its Continental distribution network by taking a stake in Markt-und Kühlhallen, a West German cold storage warehousing company.

Salvesen announced that it was in discussions with major shareholders in Markt-und Kühlhallen concerning the possible purchase of an interest in the company. It also said it was in talks with the West German group about co-operation on frozen food distribution services.

Salvesen already has a strong distribution network in Continental Europe, which contributes about 30 per cent of distribution profits.

The company distributes for several major continental retailers including Coop, Tengelmann and Aldi in West Germany.

Banner Homes

Banner Homes Group reported pre-tax profits of £1.34m for the half year to June 30 against £445,000. An interim dividend of 1.1p is declared.

Melville set to join main market

By Philip Coggan

MELVILLE GROUP, a diversified company with interests ranging from exhibition contracting to aerosol filling, is joining the main market via a £15m placing, the maximum allowed under Stock Exchange rules.

About £10m of the proceeds will go to the company to be used to pay off borrowings and fund expansion. Mr Edwin Bisset, executive chairman, and family trusts are selling more than 1.5m shares, but Mr Bisset will retain a stake of just under 34 per cent, worth more than £14m at the placing price.

In all, 12.5m shares are being placed, 35 per cent of the equity, at 120p each, giving the group a market capitalisation of £43m.

Melville consists of three divisions. Building services, specialising in refurbishment and exhibition contracting, contributed just under half of last year's pre-tax profits.

The construction division, which brought in about 38 per cent of profits, is involved in housebuilding and property development; the engineering division concentrates on the manufacture of aerosol filling equipment.

All divisions increased contributions in the year to end-June 1988 with the group reporting pre-tax profits of £4.45m on turnover of £72.2m. At the placing price of 120p, the shares are on a historic p/e of 11.

The notional gross dividend yield at the placing price is 4.7 per cent.

Pernod broker in Dublin court

By Kieran Cooke in Dublin

THE DUBLIN Theatre Festival might be in full swing, but for the Irish capital's business community there is only one show in town – the case brought by Pernod Ricard against Irish food group FII-Fyffes in court number six in the Four Courts building on the banks of the Liffey.

The case reopened yesterday after an extended weekend break. Pernod accuses FII-Fyffes of reneging on an agreement made in early September to sell 20 per cent of its shares in the Irish Distillers Group.

Pernod says that with the FII stake it would have more than 50 per cent of IDG shares. The Grand Metropolitan Group, through its subsidiary GC and C has been trying to takeover IDG since late May, and the ruling of the Dublin court will be important to the outcome of the IDG takeover battle.

Most of yesterday's proceedings involved the evidence and cross examination of Mr Dermot Desmond, Pernod's Dublin broker. The court heard how Mr Desmond accused FII of acting in bad faith.

Mr Desmond described a telephone conversation with a senior figure in FII. "I said 'we have a deal. We have an agreement. We have over 50 per cent of the shares.'"

Mr Thierry Jacquillat, president of Pernod, has been in the increasingly crowded courtroom along with most of the senior board members of both IDG and FII since the case began.

A number of witnesses remain to be called and judgment is not expected until the middle or end of next week.

Cattle's unveils terms of Rexmore furnishing deal

By Vanessa Houlder

CATTLE'S (HOLDINGS), consumer credit financier, insurance broker and curtain retailer and Rexmore, fabrics supplier and distributor, yesterday announced terms of the merger of their soft furnishing retail outlets.

The merger, announced in July, of Cattle's Rosebys Curtains and Linens (RCL) shops and Rexmore's Waldmans shops will create a nationwide chain of 115 soft furnishing retail outlets.

The combined operation will be acquired by Rosebys, a new company, which will be 80 per cent owned by Cattle's and 20 per cent owned by Rexmore, in line with the value of the assets contributed by each company.

In addition, Cattle's will make an interest-free loan to Rosebys which will finance a cash payment to Rexmore of up to £2.6m. This payment will compensate for any initial imbalance in the contributions of Waldmans and RCL to the profitability of Rosebys.

Holmes Protection buys US alarm systems group

By Andrew Hill

HOLMES PROTECTION Group, New York-based electronic security company listed in London, is to increase its annual recurring revenue by $11m (£6.4m), or about 20 per cent, with the $25.5m acquisition of Dictograph Security Systems, US supplier of alarm systems.

Dictograph specialises in alarm systems for upmarket homes, and about 65 per cent of its business comes from the residential sector. With the addition of Dictograph's 15,000 subscribers, Holmes' domestic business will increase from 5 per cent to about 35 per cent of turnover.

Some $2m of the cash purchase will be funded by a four-year interest-bearing note, and the balance in cash, financed through private placement of debt securities in the US.

Mr Brian O'Connor, Holmes chairman, said the additional subscribers – mainly in Maryland and New Jersey – would be added to 38,000 accounts already handled by the group's new central monitoring station in Manhattan. The capacity of the station is 50,000, but Mr O'Connor said that could be doubled at a cost of only $250,000.

Holmes plans to sell Dictograph's San Francisco business, raising about $2m to add to the $6m or so the group hopes to realise from the disposal of its own Miami operation. Holmes' Philadelphia branch, which the group had considered selling, may be kept on and integrated with Dictograph's business in the area.

Mr O'Connor said Holmes had yet to decide whether to retain Dictograph's franchising division, which handles 8,000 accounts across the US, through a network of 60 independently-owned dealers.

In the year to December 31, Dictograph's turnover rose to $22.1m ($20.3m), but pre-tax profits dropped from $2.78m to $1.49m, hit by the high cost of a national advertising campaign, since abandoned. In the first half of 1988, the group recovered to make $1.49m on turnover of $10.9m.

Lincat over £1m full year

LINCAT GROUP, designer and manufacturer of commercial catering equipment, produced a pre-tax profit of just over £1m for the year ended June 30 1988.

That exceeded the June flotation forecast of £975,000 and compared with £909,000, including an exceptional £63,000, made in 1986-87.

Turnover rose 63 per cent to £7.8m, reflecting continuing penetration of the expanding UK catering equipment sector both organically and through acquisitions, said Mr Martin Craddock, the chairman.

Currently, that market was worth £200m annually, and Lincat held some 4 per cent, he said.

Profits rose at a lesser rate than turnover because of the cost of integrating two acquisitions. They were Avamore, maker of bread buttering machines and vegetable peelers, and Corsair, producer of hot drinks dispensing equipment, mobile catering appliances and general equipment.

There is no dividend. Had the company been quoted for a full year the payment would have been 3.7p. Earnings were 10.11p (9.47p).

Jones up 19%

Jones Group, Dublin-based shipping, engineering, manufacturing and distribution company, lifted pre-tax profits 19 per cent from I£1.85m to I£2.19m (£1.85m) in the first half of 1988.

SPS expands by 33%

SPS CONSULTANCY Group, USM-quoted professional consultancy services company, specialising in space planning, interior design and project management, reported pre-tax profits up 33 per cent from £286,000 to £381,000 for the year to end-June 1988.

Turnover rose 51 per cent to £3.03m (£2.01m) and after tax of £134,000 (£66,000) earnings per 10p share worked through at 4.94p (4.4p). A final dividend of 1.5p (1.2p) makes a total of 2.25p (1.8p).

Directors said the results showed a sound recovery from the disappointing level of 1987. The main feature was a considerable improvement in the core business of space planning services which increased from £280,000 to £408,000 pre-tax.

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UK COMPANY NEWS

Lloyds Chemists matches expectations with £4.94m

By Vanessa Houlder

LLOYDS CHEMISTS, the UK's second largest retail chemist and drug store chain, yesterday announced a sharp increase in pre-tax profits from £1.93m to £4.94m for the year to end-June. Turnover increased from £30.5m to £81.4m.

The results were at the top end of analysts' expectations although the share price, having risen sharply over the past week, dropped back 9p to 127p.

During the year, Lloyds increased its number of chemist stores from 141 to 220 and its drug stores from 5 to 112, following the acquisition of Andrews & Courie, Scotts Chemist, Billingtons and Beauty Care.

Existing chemist shops showed a 12 per cent increase in sales on a year-on-year basis while established drug stores were showing a 19 per cent increase in sales year-on-year mainly due to stock injection and refurbishment.

Decline in operating margins – from 7.5 per cent to 6.7 per cent – was in part a result of the greater emphasis on drug stores, which tend to occupy more competitive sites and so command lower prices. In addition, it reflected the lower margins initially achieved by acquisitions.

So far, 55 chemists stores have been refurbished as have 51 drug stores.

The target for own label lines, which curently account for 19 per cent of sales in drug stores and 12 per cent in chemist stores, is to raise their contribution to sales to 25 per cent and 15 per cent respectively, said Mr Lloyd. The proportion of goods delivred to the chemist shops from a central warehouse was now 75 per cent and should rise to over 80 per cent, he said.

Earnings per share increased by 39 per cent from 7.35p to 10.2p. A recommended final dividend of 1.2p makes a total of 1.7p (0.85p) for the year.

● COMMENT

Chemists are one of the more fragmented areas of the retail sector with the large multiples owning just a sixth of the 12,000 chemists shops in the UK. It is this situation that has fuelled Lloyds' breakneck expansion of the past few years. The company's formula is simple: it buys single shops or small chains and boosts profits by applying marketing nous and lowering overheads. The stores are refurbished, the product range is revamped and costs are whittled down, thanks to central distribution, tight controls and greater buying power. So far, this strategy appears to be running smoothly, although the management will have to work hard to improve margins on the drug store side. Looking ahead, there is no obvious break on its expansion plans as there are no shortages of promising sites for new drug stores or small chemist shops interested in selling out to Lloyds. Pre-tax profits should clear £7.3m this year, which puts the shares, down 9p to 127p, on an undemanding prospective p/e of 10.5.

City group acquires Celestion Inds stake

By Nikki Tait

A GROUP of City-based investors, headed by Mr Charles Ryder, a former director of Barclays Merchant Bank and BZW Securities, has acquired a 29.9 per cent stake in Celestion Industries, the small clothing and loudspeaker manufacturer.

The 7m shares have been sold by Mr Daniel Prenn, who has run the company since it was formed from the merger of the Weingarten group and Truvox in 1969.

Mr Prenn, now aged 84, became president of the company in April, a position he is retaining, together with a personal interest in 5.1 per cent of Celestion's shares. The Prenn family overall continue to hold about 30 per cent of the equity.

The 29.9 per cent stake has been bought at 55p a share. The investing group comprises about 20 individuals, described as City connections of Mr Ryder, and some half a dozen institutions. Mr Ryder himself, who is 34 and joined Barclays Merchant Bank in 1979, is investing just over £¼m for a 2.1 per cent stake. He will become chief executive of Celestion, and will be joined on the board by two other investors – Mr Mark Lorimar and Mr Roddy McDougall.

Yesterday, Mr Ryder said that he had targeted Celestion because of its existing "critical mass," existing products, relatively strong balance sheet, and potential for development. He said that the aim was to build up a mini-conglomerate, based in consumer-related manufacturing, with products targeted at the upper end of the market. He suggested there was potential for developing the company's existing swimwear and loudspeaker interests, and also its property interests.

In the year to April 7, Celestion saw pre-tax profits drop from £769,000 to £70,000 after a £297,000 loss on the clothing side – much of which goes to Marks & Spencer.

Sales were £43.3m. Mr Ryder said he could not comment in detail on prospects for the clothing businesses, but pointed out that some rationalisation had taken place.

Shares in Celestion were 1p higher at 51p yesterday.

TI French expansion

TI Group is acquiring, subject to approval of the French authorities, Ropac, manufacturer of mechanical seals, for FFr65m (£6m). TI intends to merge Ropac, which has sales of about about FFr100m, with John Crane France.

MPs back Pittard's case

By Nikki Tait

POLITICIANS have added their support to Pittard Garnar's efforts to get the hostile £41m bid by rival leather group, Strong & Fisher, referred to the Monopolies Commission.

Mr Paddy Ashdown, leader of the Social and Liberal Democrats whose constituency covers Pittard's Yeovil base, has written to Lord Young, Secretary of State for Trade and Industry, asking for "urgent consideration to ensure that the bid should be referred to the Monopolies and Mergers Commission."

Mr Ashdown says he is concerned by the effect on competition, and the consequences for independent operators in the hide, fellmongery and sheepskin markets. He also expresses similar concern about the high quality leather market and the leverage involved in the Strong & Fisher bid.

Some of Mr Ashdown's points are echoed by Mr Michael Grylls, a Conservative MP, who has also written to Lord Young stressing the potentially damaging consequences for the future of small businesses. He writes that "with industry domination by a single company, I fear that many smaller, privately-owned hide markets, fellmongers and tanners may eventually be forced out of business."

Strong has already made a lengthy submission to the Office of Fair Trading, arguing that there should not be a reference. Two years ago, a bid by Strong for Garnar Booth (before it merged with Pittard) was referred, but Strong withdrew before the MMC completed its investigation.

Plantation Trust rejects opportunistic CDFC bid

By Ray Bashford

PLANTATION TRUST has urged shareholders to reject the takeover offer from CDFC Trust, describing it as an "opportunistic" bid which undervalues the group.

In the defence document Plantation directors said the cash offer is 10.4 per cent below the estimated net asset value at September 30.

CDFC, the recently formed investment trust, launched the bid on September 15, offering 97p a share which valued the group at £9.9m.

The offer followed the acquisition on the same day of a 29.9 per cent stake at 97p a share from Eastern Produce, which had opposed plans from the Plantation board put to shareholders at the last annual meeting. This purchase from Eastern Produce boosted CDFC's holding to 44.5 per cent.

About two-thirds of ordinary shareholders also hold convertible loan stock and warrants. Directors argue that the offer fails to take "adequate account" of the income attributable to this loan stock and that if the bid is successful the warrants would be worthless.

Plantation was formed in 1985 to invest in international plantations with a wide geographical and crop spread.

UK COMPANY NEWS

London and Manchester reports strong first half

By Nick Bunker

LONDON AND MANCHESTER Group, life insurer, has raised its interim dividend 19 per cent to 3.3p per share, and reported another boom in the growth of its residential mortgage portfolio, now standing at £451m.

It has also achieved its target of signing up 400 former independent insurance intermediary firms to act as exclusive agents for its products.

The 400 firms have about 1,600 individual sales staff between them, while L and M has 1,000 home service agents selling policies and collecting premiums door-to-door from 400,000 industrial life policyholders. It has 41 residential estate agency offices intended to act as a conduit for mortgage and insurance sales.

L and M has given no indications about likely profits for the full year. The chief interest for the City in yesterday's announcement lay in L and M's impressions of how new business production had been fairing since the end of a strong first half to June 30, which saw the group boost new annual premiums 57 per cent to £19.2m.

Mr Tom Pyne, finance director, said this pattern of growth had continued into the third quarter, with particularly strong sales of group pensions. New group pension business more than doubled from £2.4m to £5.4m during the period under review.

New mortgage lending had slowed from its January-June peak of about £20m per month, but was still running at about £10m-£12m per month in September and early October.

● COMMENT

Assume a 10.4p net dividend for the full year, and London and Manchester shares yield about five per cent gross; rendering it one of the sector's more expensive buys, even though takeover speculation has shifted to Refuge, another home service insurer. Justifying L and M's high rating is the now tangible evidence of its success in developing new sales outlets and products (notably in the group pensions field), without alienating its old industrial life customer base. Yesterday's indications that new business growth is still powering ahead appear to demonstrate the success of L and M's strategy of signing up insurance brokers' tied agents, and the group says that another 10 intermediary firms are still entering the fold each month. The only negatives are that new mortgage lending is likely to taper off further, and that the estate agencies will still take some time to start producing significant life assurance sales.

Leucadia ups Cambrian stake

By Nikki Tait

Leucadia National Corporation, a quoted New York-based company with interests ranging from insurance and banking to real estates and manufacturing, continues to pick up shares in Cambrian & General, UK investment trust.

Yesterday Leucadia announced it had acquired a further 600,000 shares, taking its total holding to 7.063m ordinary shares or 15.47 per cent. It first declared a stake – then just over 8 per cent – in August. The largest shareholder in Cambrian is the Securities and Exchange Commission, which holds almost 55 per cent of the capital shares and 12.68 per cent of the ordinary.

Telephone Rentals sees no benefits

Hugo Dixon details the arguments in C and W's £284m hostile bid

WHEN YOU enter Telephone Rentals' headquarters in Bletchley, Buckinghamshire, you are immediately struck by the array of wooden boards with gold letters recording the names of employees who have spent more than 20 years with the company.

The company has promoted an ethic of staff loyalty since its foundation in 1902, has had only four chairman and, even today, almost a quarter of its employees have completed more than 20 years' service.

It is the fear that the company will lose its independence that weighs most heavily with the management as it fights a hostile £284m bid by Cable and Wireless, international telecommunications company.

And it is the feeling that Telephone Rentals has a perfectly viable strategy for the future, nothing to do with C and W, that Mr Gus Moore, managing director, is expressing when he says: "We're not just a little telephone company that can do wonders for C and W."

Mr Moore is not challenging the commercial logic of the bid from C and W's point of view. The City has been sold on the argument that access to the 20,000 businesses which Telephone Rentals supplies with telephone exchanges could do wonders for Mercury Communications, the C and W subsidiary which has spent £600m developing a rival telecommunications network to British Telecom and is now looking for customers.

However he argues that his company is not getting anything in return. Furthermore the price of 365p per share is nowhere near what the company is worth to C and W, as evidenced in Telephone Rentals' closing price yesterday of 342p.

In the view of Mr Gordon Owen, Mercury's managing director, however, the share price is only as high as it because the market is expecting a counter-bidder. He adds that the offer, which works out at almost 22 times 1987 earnings, is "jolly generous" given the company's flat earnings performance in recent years. Earnings per share declined from 13.7p in 1983 to 12.6p in 1986, although they picked up to 14.1p last year and analysts expect a further boost this year.

The company was due to report interim results yesterday but has delayed their release for inclusion in the defence document.

Mr Moore replies that the poor performance was the result of a need to restructure the business following the liberalisation of the market for telecommunications equipment

Gordon Owen

in the early 1980s. Its traditional business, renting internal telephones or intercoms, evaporated, but the company was slow to move into the new business of renting and maintaining high-technology telephone exchanges because suitable products were not available. The company does no manufacturing itself.

Nevertheless, adds Mr Moore, Telephone Rentals has been successful in establishing itself in the highly competitive market for renting telephone exchanges and this is about to be proved by higher profits. The flat profits of the mid-1980s were the result of large investment in new equipment and the government's ending of 100 per cent capital allowances.

And, according to Mr Moore, the company has an exciting expansion strategy. It has built up data communications, mobile telecommunications, telex, on-site paging, security and time-control businesses alongside its telecommunications business. Businesses have also been set up in Australia, France, the US, Canada and South Africa with the aim of taking advantage of the wave of liberalisation sweeping through worldwide telecommunications markets.

"All these strategies would be enhanced by being part of a group which has a network operator in it," is Mr Owen's response.

'Offer is jolly generous given Telephone Rentals' flat earnings performance in recent years'

At home Telephone Rentals would benefit because its sales people would be able to offer customers access to Mercury's modern all-digital network. There would be similar benefits abroad from linking customers to the "global digital highway" that C and W is developing for international telecommunications traffic.

However such a relationship, says Mr Moore, would harm Telepone Rental's business by compromising its independence. It would no longer be able to give customers disinterested advice about which network operator with which they should deal.

Maintaining the company's independence was also important for motivating staff. "Being a division of a division of a division is not our idea of the future; it is not what drives us out of bed in the morning."

Mr. Owen replies that Telephone Rentals has nothing to worry about because C and W wants to run it as a separate business - indeed, for regulatory reasons, it has to. He also questions Telepone Rentals' reasons for being so keen on independence. "When you start talking about independence, you are normally talking about the management which wants it, not the shareholders."

COMPANY NEWS IN BRIEF

CATALYST Communications: Recommended offer from Holmes and Marchant declared unconditional on acceptances of 14.75m shares (70.6 per cent). Offer remains open.

GREENALL WHITLEY is forming Cheshire Vintners to develop wine sales in the expanding North and Midlands markets. Mr Norman Kean is managing director.

JERMYN INVESTMENT: Mr Michael Birchall is buying 395,624 ordinary shares in the property investor at £3 each from a subsidiary of British & Commonwealth Holdings. Mr Birchall and his family will own 20 per cent of the capital enlarged by the rights issue.

MICROSYSTEMS: Meggitt owns 91.87 per cent and declared offer unconditional. Outstanding balance will be acquired compulsorily.

WAGON INDUSTRIAL Holdings has sold Bolt and Nut Co (Tipton) to BNC, a new company owned by Mr Robert Shearsby, managing director of Bolt and Nut. Consideration is the equivalent of the book value of the assets at September 30 1988 – about £710,000.

WHITEGATE LEISURE is buying the residential and nursing homes of LandLeisure for £7m, satisfied by £4m cash and the balance in convertible redeemable preference shares with an effective conversion price of 30p per ordinary. The homes are in Nottinghamshire and Derbyshire and "provide a core business on which we can build," said Mr James Naylor, chief executive of Whitegate. Shareholders need to approve the deal.

Yearling bonds fall $\frac{5}{16}$

The interest rate for this week's issue of local authority bonds is $11\frac{1}{2}$ per cent, down $\frac{5}{16}$ of a percentage point from last week, and compares with 10% percent a year ago. The bonds are issued at par and are redeemable on October 18 1989. A full list of issues will be published in tomorrow's edition.

The Nikko Bank (UK) plc

CHIEF DEALER
SPOT FOREIGN EXCHANGE

The banking subsidiary of one of the world's largest international securities houses requires an experienced Team Leader to establish and manage an active and profitable spot dealing desk of between 5-8 spot dealers.

In order to attract the right candidate we are offering a highly attractive remuneration package – excellent salary and bonus plus full banking benefits as well as car.

Please telephone Terry White or Laura Nair in strict confidence on 01-528 7070 or write to either of them at:

The Nikko Bank (UK) plc,
17 Godliman Street,
London EC4V 5BD.

NIKKO

OIL INDUSTRY PUBLISHING

The ICIS-LOR Group, specialists in reporting and analysis of Oil Markets, is seeking additional staff to cover both crude and products. Industry supply/trading experience is preferred, but well motivated candidates with an interest in the subject will also be considered.

Please write with CV to:

Axel Busch
(Editor in Chief, Oil),
The ICIS-LOR Group Ltd,
18 Upper Grosvenor Street,
London W1X 9PD

THE COMMISSION OF THE EUROPEAN COMMUNITIES

is looking for (m/f)

2 HIGHLY QUALIFIED AGENTS (LEVEL A)
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1) Education:	University degree in economics with specialisation in Public finance	A levels / leaving certificate with specialisation in accounting
2) Experience:	5 years (post-university) in auditing or financial inspection	4 years in the area of financial control or accountancy plus experience in the use of computers
3) Age:	preferably less than 50 years	preferably less than 40 years
4) Nationality:	one of the member States of the European Communities	
5) Languages:	thorough knowledge of one official Community language and a satisfactory knowledge of a second one.	

Candidates may only apply for one position.
The contracts will be for a minimum period of three years and a maximum period of five years and are not renewable.
It is Commission policy to ensure equal opportunities for men and women in all posts.
Candidates who are shortlisted will be called for an interview at which details of the salary and duties will be supplied.
If you are interested, please send a detailed curriculum vitae and supporting documents to:
Commission of the European Communities, Recruitment Division,
rue de la Loi 200, B-1049 BRUXELLES,
to be postmarked not later than 11/11/1988.
Please quote the following reference on both the application and envelope:
level A: ref. 11T/88 or level B: ref. 12T/88.

TREASURER

Norwich and Peterborough Building Society is the largest regional financial services group in East Anglia. We are ambitious and innovative, aiming to provide the services our clients require efficiently and profitably.

Our products include a highly successful personal cheque account with overdraft facilities and a £100 cheque card. We have subsidiaries providing estate agency, insurance and stock broking services.

Such a dynamic approach to our business requires an effective, well-informed, and above all, successful Treasury function and we now need a TREASURER able to lead and develop the Treasury team.

Enthusiasm and commitment, linked with considerable experience in money markets, gilt markets and capital markets are essential. Asset and Liability Risk Management will also form a major part of the contribution the successful applicant will make to the future success of the Society.

Salary will not be a limiting factor, and the job will appeal to those who relish being rewarded according to results.

In addition to salary, we offer a subsidised mortgage, car and BUPA membership. A Profit Related Pay scheme with quarterly payments is operating.

The job is based in Peterborough, a 'rural city' where the quality of life is second to none.

WE HAVE GREAT PLANS FOR THE FUTURE – IF YOU DO and can match up to our requirements, send full career details, including current salary and benefits to:-
Terry Hefford,
General Manager (Finance),
Norwich and Peterborough Building Society,
Administrative Centre,
Peterborough Business Park,
Lynch Wood,
Peterborough PE2 0FZ.
Telephone (0733) 371371.

Norwich and Peterborough

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BENCHMARK BANK PLC

SENIOR LENDING EXECUTIVE

The bank's property Lending Department is seeking to recruit a qualified lender to join a highly motivated team of young professionals. Candidates, male or female, should be aged 27 to 35 with proven ability in a secured lending environment, and have a flair for new business development.

Excellent career prospects and an attractive remuneration package are offered.

Please reply with a detailed C.V. including a contact telephone number to

The Personnel Department, Benchmark Bank PLC,
Henrietta House, 9 Henrietta Place, London W1M 9AG

CLASS OF '88

I want to engage eight people who are determined to graduate to success this year. The job is marketing Financial Services through seminar presentations. £30,000 per annum based on results is possible. You must be well-educated and aged between 25 and 50. Full training will be given. You could be one of the eight if you telephone Jeff Straw on 01-290 0160.

LONDON Sinfonietta

Artistic Directors: Michael Vyner & Paul Crossley

CHIEF EXECUTIVE

The London Sinfonietta is one of the world's leading organisations in the field of 20th century music. The successful candidate will be highly experienced in Arts Administration and will have overall responsibility for the implementation of the artistic, educational and financial policy of the organisation, including fund-raising and sponsorship. Sympathy with and knowledge of 20th century music will also be regarded as a considerable advantage.

Fee by negotiation within range £25,000 - £30,000.
For full job description telephone: 01-549 5747.
Applications with full c.v. to: London Sinfonietta, Kingston Polytechnic, Kingston upon Thames, Surrey KT2 7LB

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Devon Systems

Financial Software Sales Professional

If you come from a major financial institution and are knowledge in the off-balance sheet instruments, we would like to meet you.

We are a leading international software firm rapidly expanding our worldwide activities and seek to add an individual to our London sales team. The ideal candidate will be knowledgeable in futures, options and/or interest rate products, be motivated, self-directed and have a proven sales record.

We offer an attractive compensation package to people with proven ability and experience.

Interviews will be held Wednesday October 19th through Friday October 21st. Please telephone Mrs Anne Turner, Devon Systems, on 01 623 5989 to schedule an appointment.

QUAYLE MUNRO LIMITED

Quayle Munro Limited ("QM") is now well established as a Scottish financial institution specialising in corporate finance and development capital. Founded in 1983, QM has a very successful record of professional achievement and profits growth.

As a result of an expansion of business, two new senior appointments are to be made in corporate finance and investment.

Excellent career prospects including directorship and shareholding.

Applicants should be suitably qualified, aged 28-40 with good communication and leadership skills.

Please reply in confidence with a comprehensive CV including details of current salary to:-

THE CHAIRMAN
QUAYLE MUNRO LIMITED
42 CHARLOTTE SQUARE
EDINBURGH EH2 4HQ

The London Representative Office of a major Middle East Bank requires a

BUSINESS DEVELOPMENT OFFICER

to join its Corporate Lending Team

This Officer should have at least seven years' experience in credit assessment and business development with a major international, commercial or merchant bank. Business development activities are concentrated primarily in Europe and the Far East, so relevant experience in these areas is desirable. Significant international travel is required.

SENIOR CREDIT ANALYST

to support the Bank's commercial lending operations, with at least five years experience in a prime US or European bank. The right candidate will also be expected to participate in some business development activity.

Salaries will be competitive and commensurate with experience, and a comprehensive package of benefits is provided.

Please send a detailed C.V. and salary history to:
Box A1016, Financial Times, 10 Cannon Street, London EC4P 4BY

Devon Systems

FRA'S, CAPS, SWAPS, CURRENCY OPTIONS

A leading International Financial software firm seeks an experienced self-starting individual to share in the responsibility for training, installing, and/or consulting for Interest Rate and Currency Option Products - FRA's, CAPS, FLOORS, SWAPS, CURRENCY OPTIONS and other risk management techniques servicing major financial institutions globally.

The ideal candidate will have experience in one or more phases of these products including pricing, theoretical modelling, accounting, and/or back office reconciliation.

Competitive compensation will be commensurate with ability.

Applicants with appropriate backgrounds are invited to forward a detailed career summary to K. Jaeger, Devon Systems Ltd., 22 Bevis Marks, London, EC3A 7JB.

BANQUE INDOSUEZ

MANAGER TRUST SERVICES GIBRALTAR

An excellent opportunity has arisen for a proven trust and company administrator to join our expanding management team here in Gibraltar.

The successful applicant will take overall responsibility for our trust and company management services and will be required not only to implement and monitor internal systems but will also be responsible for marketing the Bank's services throughout the Bank's International Network overseas. Some international travel is anticipated.

A sound knowledge of UK tax will be required together with the ability to recognise potential problems and deal with them accordingly. Knowledge of US tax laws and investment management will be added advantages.

Experience of offshore trusts and their administration will be an advantage and all candidates should be able to demonstrate a strong track record in an investment banking or similar professional environment.

The salary benefits and package will be set at a level to attract and motivate a proven performer who will have the opportunity to live on the Mediterranean coast.

Selected candidates will be invited to discuss this appointment at our London Branch.

Please send C V and application in own handwriting to:

The Manager
Banque Indosuez
P O Box 26
Gibraltar

COMPANY NOTICES

MINORCO

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of shareholders of Minorco will be held at Hotel Le Royal, 12 boulevard Royal, Luxembourg City, Grand Duchy of Luxembourg at 09h30 on Thursday, November 10, 1988 for the following business:

1. To receive and adopt the financial statements and the reports of the directors and auditors for the year to June 30, 1988 and to declare a final dividend.
2. To transfer the amount of US$4,369,619 to legal reserve as required in terms of Luxembourg law.
3. In accordance with the provisions for retirement by rotation in the Articles of Incorporation of Minorco, to acknowledge the retirement of Messrs Clare, Ogilvie Thompson, Oppenheimer, Slack and Spiro and to re-elect the aforesaid retiring directors.
4. To grant discharge to the directors, officers and statutory auditors in respect of the execution of their mandates for the year to June 30, 1988.
5. To reappoint Deloitte Haskins & Sells as statutory and independent auditors and to fix their remuneration.

Any shareholder may in writing appoint a proxy, who need not be a shareholder, to represent him at any general meeting. Any company being a shareholder may execute a form of proxy under the hand of a duly authorised officer, or may authorise in writing such person as it thinks fit to act as its representative at the meeting subject to the production to Minorco of such evidence of authority as the Board may require. The instrument appointing a proxy, and the written authority of a representative, together with evidence of the authority of the person by whom the proxy or authority is signed (except in the case of a proxy signed by the shareholder) shall be deposited at the Registered Office or a Transfer Office two clear Business Days (in Luxembourg or the jurisdiction where the relevant Transfer Office is located) before the time for the holding of the meeting or adjourned meeting (as the case may be) at which the person named in such instrument proposes to vote, but no instrument appointing a proxy shall be valid after the expiration of twelve months from the date of its execution.

The Board has established conditions under Article 25.6 of the Articles of Incorporation prescribing the manner in which holders of bearer shares may attend and vote in person or by proxy, copies of which may be obtained from the Registered Office of Minorco, the offices of Minorco's principal bearer share paying agent, Banque Generale du Luxembourg, 14 rue Aldringen, Luxembourg, or at the offices of either of Minorco's sub-paying agents, Credit du Nord, 6-8 boulevard Haussmann, 75009 Paris, France or Hill Samuel & Co., Limited, 45 Beech Street, London EC2P 2LX.

Completion of a form of proxy will not preclude a shareholder from attending and voting at the meeting in person to the exclusion of any proxy appointed.

Minorco Société Anonyme
65/70 boulevard de la Pétrusse
Luxembourg City
Grand Duchy of Luxembourg
R.C. Luxembourg No. B12139

By order of the board of directors:
D.E. Fisher
Vice-President and Secretary

October 11, 1988

Note:
Holders of bearer shares may obtain a copy of the annual report and accounts upon application to the UK Transfer Agents, Hill Samuel Registrars Limited, 6 Greencoat Place, London SW1P 1PL.

GOLD FIELDS COAL LIMITED

(Registration No. 01/01124/06)
Incorporated in the Republic of South Africa

ISSUED CAPITAL: 16,862,721 shares of 50 cents each

	Consolidated Quarter ended 30 Sept 1988	Consolidated Quarter ended 30 June 1988	Consolidated Nine Months ended 30 Sept 1988
OPERATING RESULTS (tons 000)			
Coal mined	2,221	2,282	7,037
Coal sold	1,936	2,088	6,322
FINANCIAL RESULTS (R000)			
Sales	48,986	48,815	144,662
Cost of sales	41,736	41,131	124,144
	7,250	7,684	20,518
Sundry revenue – net	748	714	1,759
Profit before tax	7,998	8,398	22,277
Tax	3,309	2,538	7,336
PROFIT AFTER TAX	4,689	5,860	14,941
Capital expenditure	1,987	410	3,522
Dividend	–	5,059	5,059

NOTES:
1. Capital Expenditure The unexpended balance of authorised capital expenditure at 30 September 1988 was R3.8 million.
2. Dividend A dividend (No. 150) of 30 cents per share declared on 9 June 1988 was paid to members on 3 August 1988.

On behalf of the board
P R Janisch, C T Fenton — Directors

11 October 1988

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FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Anderson Orme Unit Tst Mgrs Ltd (1200)F
62 London Wall, London, EC2R 7DD 01-638 1200

Growth Tst	2	204 0	208.9	214 3	+2.1 2.25
High Income Tst ♥	5	35.54	35.91	38 20	+0.95 5.87
Intl Recovery Acc	5	37.91	39 17	42.12	-1 5 1 36
Intl Recovery Inc	5	27 64	28.57	30.72	-1.0 1.36

Anthony Wieler Unit Tst Mgmt Ltd (1000)F
19 Widegate St, London E1 7HP 01-377 1010

Growth Income	5	102 4	104.7	111 4	— 1 4
Do Accum	5	144 0	147 2	156 6	— 1.4
Quarterly Income	5	50 61	52.86	56.23	— 7.0

Arkwright Management (1400)F
1 King St, Manchester M60 3AH 061-832 0242

Growth Oct 11 ♥	5	94 41	94 41	100.44	+2.64 2.25
Income Oct 11 ♥	5	47.21	47.95	51.01	+0.87 4.82

Buckmaster Mangmt Co Ltd (1200)H
The Stock Exchange, London EC2P 2JT 01-588 2868

Emerging Gwth	5	58 75	60.34	64 02	+0.17 1.37
(Accum Units)	5	59 19	60.79	64.50	+0.17 1.37
Fellowship Tst	5	58.70	60.42	64 11	-0.01 1.81
(Accum Units)	5	59.83	61.58	65.34	-0.01 1.81
General Inc	5	263 8	263 8	278 9	-1.4 2.97
(Accum Units)	5	435 7	435 7	460.7	-2.4 2.97
Income	5	140 8	145.5	154 4	-0 6 4.58
(Accum Units)	5	265.3	274.2	290.9	-1.0 4.58
International	5	105 7	105.7	111.8	-0 4 1.66
(Accum Units)	5	143.3	143.3	151.5	-0.5 1.66
Smaller Co's	5	96 06	98.49	104.5	+0 4 1.44
(Accum Units)	5	104.3	107.1	113.6	+0.3 1.44
Inv Portfolio	2½	48.41	50 09	51.64	-0.16 4.00

London & Manchester (Tst Mgmt) Ltd (1000)H
Winslade Park, Exeter EX5 1DS 0392 282673

American	5	30.27	30.60	32.48	-0.11 0.8
General	5	48.89	49.11	52.13	-0.23 3.6
Income	5	43.99	44.38	47.11	-0.05 5.9
International	5	35.31	35.60	37.79	-0.05 0.9
Japan	5	48.36	48.61	51.60	+0.32 —
Tst of Inv Trusts	5	35.83	36.40	38.64	— 1.9

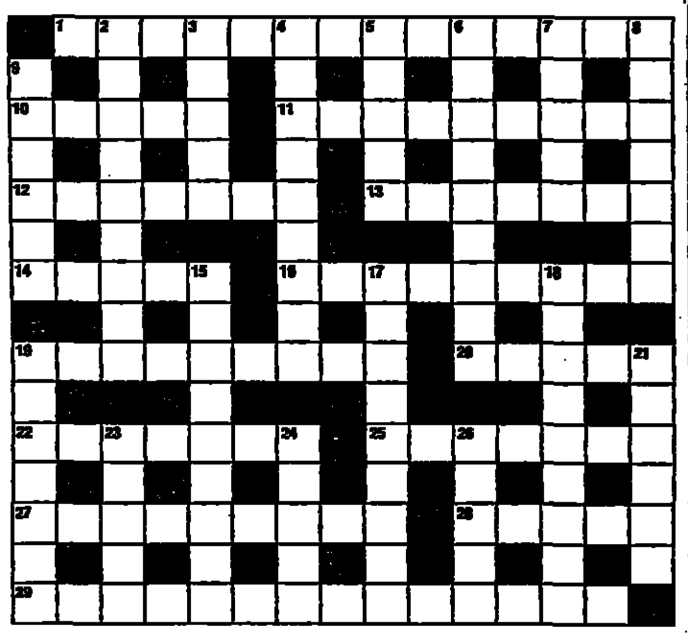
I.G INDEX LTD, 9-11 GROSVENOR GARDENS, LONDON SW1W 0BD
Tel: 01-828 7233/5699 Reuters Code: IGIN, IGIO

FT 30	FTSE 100	WALL STREET
Oct. 1485/1494 -5	Oct. 1836/1846 -9	Oct. 2147/2159 -10
Dec. 1490/1499 -4	Dec. 1842/1852 -8	Dec. 2154/2166 -11

Prices taken at 5pm and change is from previous close at 9pm

CROSSWORD

No. 6,757 Set by HIGHLANDER



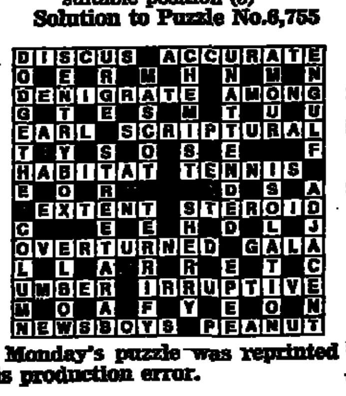
ACROSS

1 The pull of the sea? No, the star (4,10)
10 At university group creates disturbance (5)
11 Contract with apprentice takes in artificial teeth (9)
12 Incorporate most of the structure (5,2)
13 In Germany, I among the others appear most prosperous (7)
14 Biblical lady leads religious books competition (5)
16 Briefly endorse liability limits first (9)
19 A profitable but artistically meritless item – *like* an oven ring? (9)
20 Anxious future perhaps (5)
22 The way members first obtain revealing female entertainment (3-4)
25 Start a book (7)
26 Strangely curative: has left to stock up with provisions again (9)
28 Where professor sits in church *to* keep cool (5)
29 Denmark: greater diversification gives rise to professional food grower (6,8)

DOWN

2 Not drinking away, holding can (9)
3 Famous weight lifted by newspaperman (5)
4 Train line used for shunting every third year (9)
5 Jockey's qualification (5)
6 Forced soldier to study old writing (9)
7 Accustom to Inchon river? (5)
8 Don't come in with car number registration (2,5)
9 Find out about resounding noise (6)
15 Echo that is confused, containing nothing but pain (9)
17 Soldier is unofficial, not uniform (9)
18 Painting comes down to earth; point taken (9)
19 Impertinence upset resolute traveller (7)
21 Make certain measure reliable (6)
23 In Greece I've found a donor (5)
24 Step on ladder reported twisted (5)
26 Hospital is in pleasant surroundings – a particularly suitable position (5)

Solution to Puzzle No.6,755



Solvers will have noticed that Monday's puzzle was reprinted yesterday. Our apologies for this production error.

GUIDE TO UNIT TRUST PRICING

The data included under the Authorised section of the FT Unit Trust information pages is being expanded to improve the service to readers and to conform with new legislation.

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♣ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♠ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that prices are set on a historic basis. This means that, unless there has been an intervening portfolio revaluation, investors can normally buy and sell units today at the prices appearing in the newspaper which have been set on the basis of yesterday's asset value.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
Other explanatory notes are contained in the last column of the FT Unit Trust Information pages.

FT UNIT TRUST INFORMATION SERVICE

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sun Life Trust Mngmt Ltd (1200)H						
101, Cannon St, London EC4N 5AD						
Admin & Enq: 01-606 4044 Dealing: 01-606 6010						
Master Portfolio	5¼	28.30	28.30	30.27	+0.18	0.00
Amer Growth Acc	5¼	34.01	34.29	36.67	+0.21	1.93
Amer Income Acc	5¼	30.68	30.68	32.81	+0.04	4.82
Amer Income Inc	5¼	28.11	28.11	30.06	+0.04	4.82
Cap Protector Acc	5¼	24.14	24.49	26.19	-0.12	5.47
Cap Protector Inc	5¼	23.67	24.01	25.69	-0.12	5.47
Euro Growth Acc	5¼	43.39	43.39	46.41	+0.09	0.00
Euro Income Acc	5¼	22.50	22.50	24.06	-0.12	3.90
Euro Income Inc	5¼	21.39	21.59	23.09	-0.11	3.90
Far East Gwth Acc	5¼	57.95	57.95	61.98	+0.09	0.00
Intl Growth Acc	5¼	39.29	39.29	42.02	+0.02	2.02
Japan Growth Acc	5¼	89.34	89.87	96.12	-0.21	0.00
UK Growth Acc	5¼	44.99	44.99	48.12	-0.20	3.03
UK Income Acc	5¼	50.73	51.23	54.79	-0.05	4.78
UK Income Inc	5¼	44.99	45.37	48.52	-0.05	4.78
Mngd Growth Acc	5¼	51.16	51.16	54.72	+0.24	2.15
Mngd High Yield Inc	5¼	66.72	66.72	71.35	-0.03	5.52
Mngd Income Inc	5¼	57.40	58.04	62.07	-0.13	4.50
Swiss Life Pen Tst Man Co Ltd (1000)H						
99-101 London Rd, Sevenoaks 0732 450161						
Equity Dist	5	332.7	337.5	357.1	-0.1	3.06
Equity Acc	5	427.0	433.2	458.4	-	3.06
Fixed Int Dist	5	118.9	120.9	125.3	+0.7	8.95
Fixed Int Acc	5	210.8	214.3	222.1	+1.2	8.95
TSB Unit Trusts (y) (1000)F						
Charlton Pl, Andover, Hants. SP10 1RE 0264 63434						
TSB American	5	101.49	101.49	107.95	-0.67	2.09
Do Accum	5	108.93	108.93	115.76	-0.71	2.09
TSB Brit Growth	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Bid Price	Offer Price	+ or -	Yield Gr's
Lazard Investors Ltd ##				
Exempt Funds				
Small Co's Dec 10	4050.1	4469.5	+44.5	1.5
European Oct 10	364.6	384.9	+2.4	0.9
American Oct 10	287.1	298.6	+3.4	2.3
Far Eastern Oct 10	525.0	556.8	-15.8	0.2
Australian Oct 10	140.4	148.0	-0.8	2.4
Ridings Sept 15	220.0	239.1	+0.0	0.8
Northumbria Sept 12	193.6	210.5	+0.0	1.3
North West Sept 12	235.2	251.8	+0.0	0.8
East Coast Sept 15	88.1	94.9	+0.0	1.7
W Midlands Aug 31	195.6	215.2	+0.0	1.5
Ind Lnk Mrt Sept 20	132.4	135.1	+0.0	4.0
Property Sept 1	2930.0	3080.0	+30.0	5.2
Inc Gth Prp July 7	1360.0	1420.0	+0.0	7.0
Local Authorities Mutual Invest. Tst.*				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Property Sept 30	211.95		-	5.71
Equity Sept 30	704.80		-	3.90
Fxd Int Sec Sept 30	98.95		-	9.49
* Available only to Local Authorities				
MIM Ltd				
Mngd Pens (Acc)	55.6	59.31	+0.31	0.80
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
Amer Exmt Oct 12	40.9	42.5	+0.4	2.25
Euro Exmt Oct 12	42.0	44.0	+0.3	2.50
Fixed Int Ex Oct 12	49.6	52.0	+0.7	9.63
Japan Exmt Oct 12	51.9	54.8	-0.6	0.75
Managed Ex Oct 6	38.5	40.0	-	4.96
SE Asia Exmt Oct 12	35.4	37.1	+1.1	1.68

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Norwich Union Asset Management Ltd
PO Box 124, Norwich NR1 1JS 0603 683906

	Bid Price	Offer Price	+ or -	Yield Gross
NUAM Funds				
Managed Fund	54.8	57.7	-0.1	-
Stock Market Mngd Fund	52.4	55.2	-	-
Equity Fund	56.6	59.6	-0.3	-
International Fund	49.1	51.7	+0.2	-
European Fund	49.7	52.4	-0.3	-
North American Fund	46.8	49.3	-0.1	-
Pacific Fund	58.5	61.6	+0.6	-
Property Fund	66.4	69.9	-	-
Fixed Interest Fund	53.0	55.8	-	-
Index Linked Sec Fund	52.2	55.0	+0.1	-
Deposit Fund	54.4	57.3	-	-
NUAM Retirement Plan				
Mixed Fund	58.1	61.2	-	-
UK Ordinary Share Fd	65.3	68.8	-0.1	-
International Fund	50.3	52.9	-	-
Property Fund	64.5	67.9	-	-
Fixed Interest Fund	57.0	60.0	+0.1	-
Index Linked Sec Fund	53.0	55.8	+0.2	-
Deposit Fund	58.4	61.5	+0.1	-
NUAM (MF)				
Managed Fund	746.5	785.8	-1.4	-
Equity Fund	1474.6	1552.3	-8.2	-
Property Fund	413.9	435.7	-	-
Fixed Interest Fund	391.5	412.2	-0.1	-
Deposit Fund	222.7	234.5	-	-
International Fund	127.7	134.5	+0.6	-
Index Linked Sec Fund	52.4	55.2	+0.1	-

Norwich Union Life Insurance Soc.
PO Box 149, Norwich NR1 3NG 0603 622200

	Bid Price	Offer Price	+ or -	Yield Gross
Unitised Pensions				
With Profits Fd	106.68	112.29	+0.04	-
Managed Fd	117.46	123.65	-0.06	-
UK Equity Fd	120.87	127.24	-0.26	-
International Fd	119.45	125.74	+0.08	-

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

UK LISTED

[illegible]

OFFSHORE INSURANCES

[illegible]

FT UNIT TRUST INFORMATION SERVICE

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Stock	Yield Int.	Yield Red.
Treas. 9½pc '88	–	–
Treas 11½pc 1989	11.50	11.28
Treas 9½pc Cnv 1989	9.57	11.08
Treas 3pc 1989	3.10	8.50
Treas 10½pc 1989	10.54	11.04
Exch. 10pc 1989	10.07	10.91
Exch 11pc 1989	10.98	10.75
Treas 5pc 1986-89	5.29	9.63
Exch 10¼pcCv '89	10.22	10.00
Treas 13pc 1990‡‡	12.60	10.16
Exch 11pc 1990‡‡	10.89	10.12
Exch. 12¼pc 1990	12.14	10.28
Treas. 3pc 1990	3.27	8.75
Treas 8¼pc 1987-90‡‡	8.48	10.06
Treas. 8pc Cv 1990 ‡‡	8.07	8.49
Treas. 10pcCv 1990	10.03	10.18
Exch 2½pc 1990	2.82	8.45
Treas 11¾pc 1991	11.40	10.17
Funding 5¾pc '87-91‡‡	6.27	9.60
Treas. 3pc 1991	3.43	8.56
Treas 10pc Cv '91 ‡‡	9.93	9.68
Exch. 11pc 1991	10.74	10.05
Treas. 8pc 1991	8.47	10.08
Treas 12¾pc 1992‡‡	11.87	10.01
Treas 10pc 1992	9.98	9.97
Treas. 8pc 1992 ‡‡	8.49	9.98
Treas 10½pc Cv 1992‡‡	10.35	10.00
Treas. 3pc 1992	3.60	8.38
Exch. 12¼pc '92	11.44	9.99
Exch 13½pc 1992	12.15	10.02
Treas 8¼pc 1993	8.77	9.95
Treas 10pc 1993‡‡	9.97	9.92
Treas 12½pc 1993‡‡	11.42	9.93
Funding 6pc 1993‡‡	6.78	8.93

Five to Fifteen Years

Stock	Yield Int.	Yield Red.
Treas 13¾pc 1993‡‡	12.01	10.04
Treas. 8½pc 1994	9.04	9.96
Treas 8½pc 1994 A		
Treas 14½pc 1994‡‡	12.21	9.92
Exch 13½pc 1994	11.80	10.04
Treas. 10pc Ln. 1994‡‡	9.95	9.88
Exch. 12½pc 1994	11.29	10.03
Treas 9pc 1994‡‡	9.32	9.77
Treas 12pc 1995	11.00	10.00
Exch 3pc Gas 90-95	3.68	6.52
Exch. 10¼pc 1995	10.07	9.87
Treas 12¾pc 1995‡‡	11.16	9.90
Treas. 14pc '96	11.66	10.03
Treas. 9pc 1992-96‡‡	9.30	9.62
Treas 15¼pc 1996‡‡	11.98	10.01
Exch 13¼pc 1996‡‡	11.27	9.90
Conversion 10pc 1996	9.90	9.81
Treas 13¼pc 1997‡‡	11.17	9.87
Exch 10½pc 1997	10.10	9.79
Treas 8¾pc 1997‡‡	9.22	9.60
Exch 15pc 1997	11.64	10.06
Exch. 9¾pc 1998	9.76	9.75
Treas 6¾pc 1995-98‡‡	8.01	9.26
Treas. 15½pc '98‡‡	11.53	9.96
Exch. 12pc 1998	10.57	9.84
Treas 9½pc 1999‡‡	9.54	9.55
Exch. 12¼pc 1999	10.60	9.83
Treas. 10½pc 1999	10.00	9.73
Conversion 10¼pc 1999	9.91	9.73
Treas. 8½pc Ln 2000‡‡	9.12	9.49
Conversion 9pc 2000‡‡	9.33	9.51
Treas. 13pc 2000	10.70	9.86
Treas 10pc 2001	9.72	9.58
Treas. 14pc '98-01	11.27	10.00
Conversion 9¾pc 2001	9.62	9.56
Exch. 12pc '99-02	10.60	9.83
Conversion 10pc 2002	9.66	9.52
Treas 9¾pc 2002	9.58	9.50
Exch. 9pc 2002	9.33	9.45
Treas. 13¾pc 2000-03	10.89	9.91
Treas 10pc 2003	9.58	9.44

Over Fifteen Years

Stock	Yield Int.	Yield Red.
Treas. 11½pc 2001-04	10.19	9.69
Treas. 10pc 2004	9.52	9.37
Funding 3½pc '99-04	5.92	8.15
Conversion 9½pc 2004	9.34	9.29
Conversion 9½pc 2005	9.31	9.26
Exch. 10½pc 2005	9.51	9.26
Treas. 12½pc 2003-05	10.12	9.51
Treas. 8pc 2002-06‡‡	8.89	9.14
Conversion 9¾pc 2006	9.31	9.20
Treas. 11¾pc 2003-07	10.01	9.49
Treas 8½pc 2007 ‡‡	8.94	9.04
Treas. 13½pc '04-08	10.17	9.43
Treas. 9pc 2008 ‡‡	9.02	9.02
Treas 8pc 2009	8.81	8.97
Conv 9pc Ln 2011 ‡‡	8.96	8.95

BRITISH FUNDS—Contd

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar continues to fall

THE DOLLAR continued to lose ground in currency markets yesterday, after heavy selling in the Far East. The decline was aggravated further by stop loss selling in New York, as investors returned from a three day break.

A decision by large institutional investors to lighten their dollar holdings, was probably sparked off by last Friday's release of US unemployment figures for September. These showed that the creation of new jobs was not as strong as had been expected, suggesting a slower economic growth rate and less upward pressure on interest rates.

The softer tone continued in early New York trading, and traders are now awaiting tomorrow's release of US trade figures for August.

The dollar closed at DM1.8520 from DM1.8550 and Y131.0 compared with Y132.20. Elsewhere, it finished at SFr1.5700 from SFr1.5755 and FFr6.3100 against FFr6.3225. On Bank of England figures, the dollar's exchange rate index fell from 98.3 to 98.0, its lowest level since late July.

Sterling benefited from a growing perception that interest rates are likely to remain firm, both to bear down on inflation and also to combat the inflationary effects of a possible sterling decline.

Investors were lured by the favourable interest rate differential enjoyed by sterling based investments over West German, Japanese and US instruments. Yesterday's switch out of the dollar was also to sterling's advantage, so much so, that the Bank of England intervened during the morning, selling sterling for both dollars and D-Marks.

The pound was sold as it broke through DM3.1800 and $1.7200, and although the extent of the intervention was relatively modest, the Bank's high profile was regarded as a clear signal of its desire to avoid sharp currency fluctuations.

Sterling's exchange rate index touched a high of 76.5 during the morning, but came back after the Bank had intervened, to finish at 76.4, unchanged from the opening, but still up from 76.3 on Monday.

Against the dollar, sterling closed at $1.7170, up from $1.7125. It was also higher against the D-Mark at DM3.1800 from DM3.1775, but eased against a strong yen to Y225.00 from Y226.50. Elsewhere, it finished at FFr10.8350 from FFr10.8275, and SFr2.6950 compared with SFr2.6975.

The dollar's weaker tone put further downward pressure on the French franc,

The Bank of France was seen in the market, but the extent of any intervention was not immediately clear. Some traders suggested that the authorities are keen to make their presence known, and that further intervention is expected if the D-Mark makes a serious challenge on the FFr3.4100 level.

At the start of trading, the West German unit was quoted at FFr3.4075, but it quickly rose to around FFr3.4090, at which point dealers detected some activity from the central bank.

£ IN NEW YORK

Oct.11	Latest	Previous Close
£ Spot	1.6980-1.6985	1.6980-1.6985
1 month	0.57-0.56pm	0.57-0.56pm
3 months	1.37-1.35pm	1.37-1.35pm
12 months	4.12-4.07pm	4.12-4.07pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Oct.11	Previous
8.30 am	76.4	76.1
9.00 am	76.4	76.1
10.00 am	76.5	76.2
11.00 am	76.4	76.1
Noon	76.4	76.2
1.00 pm	76.4	76.2
2.00 pm	76.4	76.2
3.00 pm	76.4	76.4
4.00 pm	76.4	76.3

CURRENCY RATES

Oct.11	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	N/A	0.652887
U.S Dollar	6.50	N/A	1.12133
Canadian $	8.75	N/A	1.35323
Austrian Sch.	4	N/A	14.5942
Belgian Franc	7	N/A	43.5078
Danish Krone	7½	N/A	7.99063
Deutsche Mark	3½	N/A	2.07537
Neth Guilder	4	N/A	2.33989
French Franc	9½	N/A	7.07338
Italian Lira	12½	N/A	1546.88
Japanese Yen	2½	N/A	147.007
Norway Krone	8	N/A	7.66152
Spanish Peseta	-	N/A	137.330
Swedish Krona	8½	N/A	7.10589
Swiss Franc	3	N/A	1.75993
Greek Drach.	20½	N/A	168.850
Irish Punt	-	N/A	0.773921

*All SDR rates are for Oct.10

CURRENCY MOVEMENTS

Oct.11	Bank of England Index	Morgan** Guaranty Changes %
Sterling	76.4	N/A
U.S Dollar	98.0	N/A
Canadian Dollar	85.1	N/A
Austrian Schilling	134.1	N/A
Belgian Franc	97.9	N/A
Danish Krone	88.6	N/A
Deutsche Mark	144.1	N/A
Swiss Franc	164.7	N/A
Guilder	132.8	N/A
French Franc	68.6	N/A
Lira	44.9	N/A
Yen	243.9	N/A

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1975=100)**Rates are for Oct.10.

OTHER CURRENCIES

Oct.11	£	$
Argentina	20.7510-20.8970	12.0800-12.1600
Australia	2.1405-2.1435	1.2455-1.2465
Brazil	657.50-661.10	382.75-384.70
Finland	7.4860-7.4995	4.3570-4.3590
Greece	256.45-260.90	149.25-151.75
Hong Kong	13.4245-13.4410	7.8155-7.8175
Iran	120.60*	70.50*
Korea(Sth)	1219.20-1229.00	711.90-717.70
Kuwait	0.49330-0.49380	0.28700-0.28710
Luxembourg	66.55-66.65	38.75-38.85
Malaysia	4.6160-4.6275	2.6880-2.6900
Mexico	3923.45-3938.80	2284.00-2292.00
N. Zealand	2.7545-2.7595	1.6025-1.6050
Saudi Ar.	6.4470-6.4525	3.7500-3.7510
Singapore	3.4930-3.4985	2.0330-2.0350
S. Af (Cm)	4.2570-4.2680	2.4780-2.4810
S. Af (Fn)	6.8740-7.0140	4.0000-4.0815
Taiwan	49.45-49.70	28.90-29.00
U.A.E.	6.3130-6.3185	3.6725-3.6735

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Oct.11	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.5078	+2.47	+0.94	±1.5344
Danish Krone	7.85212	7.99063	+1.76	+0.23	±1.5404
German D-Mark	2.05853	2.07537	+0.82	-0.71	±1.0981
French Franc	6.90403	7.07338	+2.45	+0.92	±1.3674
Dutch Guilder	2.31943	2.33989	+0.86	-0.67	±1.5012
Irish Punt	0.768411	0.773921	+0.72	-0.81	±1.6684
Italian Lira	1483.58	1546.88	+4.27	+3.32	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency
Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

Oct.11	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7150-1.7225	1.7165-1.7175	0.53-0.50cpm	3.60	1.38-1.33pm	3.16
Canada	2.0705-2.0780	2.0755-2.0765	0.30-0.21cpm	1.47	0.77-0.65pm	1.37
Netherlands	3.58-3.59	3.58-3.59	2-1⅞cpm	6.49	5⅝-5½pm	6.14
Belgium	66.50-66.85	66.55-66.65	33-21cpm	4.86	81-65pm	4.68
Denmark	12.22¾-12.26¾	12.24¼-12.25¼	5-4orepm	4.41	12-11pm	3.76
Ireland	1.1820-1.1875	1.1850-1.1860	0.48-0.43ppm	4.61	1.33-1.21pm	4.29
W. Germany	3.17¾-3.18½	3.17¾-3.18¼	2-1¾pfpm	7.07	5⅜-5¼pm	6.60
Portugal	261.40-262.65	261.40-262.40	20-62cdis	-1.88	62-156dis	-1.66
Spain	210.05-210.80	210.05-210.35	11pm-4cdis	0.20	21-39dis	-0.57
Italy	2367½-2372½	2367½-2368½	4-1lirepm	1.27	7-2pm	0.76
Norway	11.72¾-11.76½	11.72¾-11.73¾	¾-1¼oredis	-1.15	4⅛-5¼dis	-1.58
France	10.83-10.85¾	10.83-10.84	4-3½cpm	4.22	10⅝-9⅝pm	3.78
Sweden	10.87¼-10.90½	10.87¼-10.88¼	1⅝-1¼orepm	1.59	4-3¾pm	1.31
Japan	224½-225½	224½-225½	1⅝-1½ypm	7.33	4-3⅞pm	6.89
Austria	22.34-22.39	22.34-22.37	12⅞-11⅝gropm	6.54	33-31pm	5.73
Switzerland	2.69-2.70	2.69-2.70	2-1⅞cpm	8.63	5⅝-5½pm	7.79

Belgian rate is convertible francs. Financial franc 67.35-67.45. Six-month forward dollar 2.53-2.48cpm 12 months 4.23-4.13cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Oct.11	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7150-1.7225	1.7165-1.7175	0.53-0.50cpm	3.60	1.38-1.33pm	3.16
Ireland†	1.4480-1.4510	1.4480-1.4490	0.12-0.17cdis	-1.20	0.38-0.48dis	-1.19
Canada	1.2060-1.2095	1.2085-1.2095	0.20-0.23cdis	-2.14	0.53-0.56dis	-1.81
Netherlands	2.0835-2.0880	2.0870-2.0880	0.52-0.50cpm	2.93	1.58-1.54pm	2.99
Belgium	38.70-38.85	38.75-38.85	5.00-3.00cpm	1.24	13.80-9.80pm	1.22
Denmark	7.11-7.13½	7.13-7.13½	0.60-0.30orepm	0.76	1.20-0.90pm	0.59
W. Germany	1.8480-1.8525	1.8515-1.8525	0.56-0.53cpm	3.53	1.60-1.56pm	3.42
Portugal	152¼-152½	152¼-152½	55-75cdis	-5.12	160-210dis	-4.86
Spain	122.25-122.70	122.40-122.50	30-40cdis	-3.43	115-125dis	-3.92
Italy	1377-1380	1378¾-1379¾	2.30-3.30liredis	-2.44	7.50-9.50dis	2.47
Norway	6.81¼-6.84½	6.83-6.83½	2.65-2.80oredis	-4.80	8.00-8.30dis	-4.78
France	6.30-6.31¼	6.30¾-6.31¼	0.37-0.30cpm	0.64	1.10-0.90pm	0.63
Sweden	6.32¾-6.34½	6.33¼-6.33¾	1.05-1.15oredis	-2.09	2.90-3.10dis	-1.90
Japan	130.65-131.30	130.95-131.05	0.45-0.42ypm	3.99	1.26-1.23pm	3.81
Austria	12.99¾-13.01¾	13.00¾-13.01¼	3.30-3.00gropm	2.91	9.25-8.25pm	2.69
Switzerland	1.5675-1.5715	1.5695-1.5705	0.69-0.64cpm	5.08	1.87-1.82pm	4.70

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 39.20-39.30.

EURO-CURRENCY INTEREST RATES

Oct.11	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	11⅞-11⅝	11⅝-11½	11⅞-11¾	11⅞-11¾	11⅞-11¾	11¾-11⅝
US Dollar	8¼-8⅛	8¼-8⅛	8⅜-8¼	8⅝-8½	8⅝-8½	8¾-8⅝
Can. Dollar	10¼-10	10¼-10	10⅛-9⅞	10⅜-10¼	10⅞-10⅝	10⅞-10⅝
D. Guilder	5½-5¼	5½-5¼	5⅝-5½	5¾-5⅝	5⅞-5¾	5⅞-5¾
Sw. Franc	3⅝-3½	3½-3⅜	3⅝-3½	3¾-3⅝	3¾-3⅝	3⅞-3¾
Deutschmark	4⅝-4½	4⅝-4½	4⅝-4½	5⅛-4⅞	5⅛-5	5¼-5⅛
Fr. Franc	7⅞-7⅝	7⅝-7½	7¾-7⅝	7⅞-7¾	8-7⅞	8¼-8
Italian Lire	11-9	11¼-10¼	11¼-10⅝	11¼-10⅞	11¼-10⅞	11½-11¼
B. Fr. (Fin)	7¼-7⅛	7¼-7⅛	7¼-7⅛	7⅜-7¼	7⅝-7½	7¾-7⅝
B. Fr. (Con)	7⅝-7⅛	7½-7	7¼-6⅞	7⅝-7¼	7⅝-7¼	7¾-7½
Yen	4⅛-4	4⅛-4	4¼-4⅛	4⅝-4½	4¾-4⅝	4⅞-4¾
D. Krone	7⅝-7⅜	7⅝-7½	7⅞-7⅝	8⅛-7⅞	8⅜-8⅛	8⅝-8⅜
Asian $Sing	8⅛-8	8⅛-8	8¼-8⅛	8⅝-8½	8⅝-8½	8¾-8⅝

Long term Eurodollars: two years 9⅛-8⅞ per cent; three years 9¼-9 per cent; four years 9⅜-9⅛ per cent; five years 9½-9¼ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Oct.11	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.717	3.180	225.0	10.84	2.695	3.585	2368	2.076	66.60
$	0.582	1	1.852	131.0	6.313	1.570	2.088	1379	1.209	38.79
DM	0.314	0.540	1	70.75	3.409	0.847	1.127	744.7	0.653	20.94
YEN	4.444	7.631	14.13	1000.	48.18	11.98	15.93	10524	9.227	296.0
F Fr.	0.923	1.584	2.934	207.6	10.	2.486	3.307	2185	1.915	61.44
S Fr.	0.371	0.637	1.180	83.49	4.022	1	1.330	878.7	0.770	24.71
H Fl.	0.279	0.479	0.887	62.76	3.024	0.752	1	660.5	0.579	18.58
Lira	0.422	0.725	1.343	95.02	4.578	1.138	1.514	1000.	0.877	28.13
C $	0.482	0.827	1.532	108.4	5.222	1.298	1.727	1141	1	32.08
B Fr.	1.502	2.578	4.775	337.8	16.28	4.047	5.383	3556	3.117	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Short sterling lacks enthusiasm

SHORT STERLING futures rose on Liffe, as the pound remained firm on the foreign exchanges and cash interest rates eased.

December short sterling broke through technical resistance at 88.36, but traders found no enthusiasm to move long. Stop loss buying at 88.37 and 88.38 took the contract up to a high of 88.39 but it may need to move above 88.40 before the market is confident that resistance has been broken.

Dealers pointed out that short sterling has been trading on the strength of the pound recently. Sterling's rise was capped by intervention from the Bank of England yesterday, and there remains no prospect of any early reduction in UK bank base rates.

Long gilt futures weakened.

The market has been reluctant to go short of long gilts, because of buying by the Government broker, but it was rumoured yesterday that an offer of stock was declined by the authorities yesterday.

Position taking may have been the motive for the rumour, but with yields looking unattractively low at present,the market weakened.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
90	656	724	0	4
92	458	533	2	13
94	263	354	7	34
96	122	225	30	105
98	27	114	135	158
100	7	36	315	316
102	3	14	511	458

Estimated volume total, Calls 2819 Puts 2723
Previous day's open int. Calls 28320 Puts 33113

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
84	600	605	8	49
86	411	435	19	115
88	233	314	41	158
90	116	208	124	252
92	35	124	243	404
94	13	54	421	534
96	4	32	612	712

Estimated volume total, Calls 30 Puts 35
Previous day's open int. Calls 6894 Puts 3554

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Oct	Calls-settlements Nov	Puts-settlements Oct	Puts-settlements Nov
17000	1520	1540	0	20
17500	1024	1088	4	68
18000	563	697	43	177
18500	229	398	199	378
19000	53	199	533	679
19500	7	86	987	1066
20000	1	32	1481	1512

Estimated volume total, Calls 0 Puts 8
Previous day's open int. Calls 1 Puts 21

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls-settlements Oct	Calls-settlements Nov	Puts-settlements Oct	Puts-settlements Nov
155	1695	1695	0	0
160	1195	1195	0	1
165	695	695	0	21
170	202	276	14	134
175	3	70	315	428
180	0	10	812	868
185	0	—	1312	—

Estimated volume total, Calls 1 Puts 0
Previous day's open int. Calls 42 Puts 2544

LIFFE EURODOLLAR OPTIONS
£1m points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
9075	70	89	5	16
9100	48	70	8	22
9125	30	53	15	30
9150	16	37	26	39
9175	8	26	43	53
9200	4	18	64	70
9225	1	11	86	88

Estimated volume total, Calls 100 Puts 680
Previous day's open int. Calls 3615 Puts 4894

LIFFE SHORT STERLING

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
8800	51	122	13	12
8825	34	101	21	16
8850	22	83	34	23
8875	13	66	50	31
8900	7	51	69	41
8925	3	38	90	53
8950	1	27	113	67

Estimated volume total, Calls 530 Puts 805
Previous day's open int. Calls 17186 Puts 15628

PHILADELPHIA SE £/$ OPTIONS
£31,250 (cents per £1)

Strike Price	Calls Oct	Calls Nov	Calls Dec	Calls Mar	Puts Oct	Puts Nov	Puts Dec	Puts Mar
1.600	11.55	11.56	11.55	11.61	-	0.02	0.30	1.29
1.625	9.05	9.05	9.05	9.55	-	0.08	0.54	1.88
1.650	6.65	6.65	6.92	7.73	-	0.24	0.88	2.56
1.675	4.20	4.39	4.98	6.11	0.02	0.50	1.55	3.52
1.700	2.00	2.40	3.39	4.74	0.15	1.23	2.50	4.68
1.725	0.45	1.35	2.18	3.60	1.03	2.37	3.76	6.07
1.750	-	0.59	1.41	2.67	3.06	4.12	15.39	7.62

Previous day's open int: Calls 482,158 Puts 422,864
Previous day's volume: Calls 8,216 Puts 9,849

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls-settlements Oct	Nov	Dec	Mar	Puts-settlements Oct	Nov	Dec	Mar
1.650	6.00	6.05	6.45	7.45	0.30	0.60	1.45	3.35
1.700	1.35	2.25	3.15	4.55	0.65	1.90	3.30	5.60
1.750	0.30	0.75	1.45	2.75	4.45	5.30	6.50	8.70
1.800	0.30	0.40	0.70	1.65	9.45	9.90	10.70	12.45
1.850	0.30	0.35	0.50	1.05	14.40	14.85	15.35	16.65
1.900	-	-	0.50	1.55	-	-	22.50	25.30
1.950	-	-	0.45	1.40	-	-	17.60	20.40

Estimated volume total, Calls N/A Puts N/A
Previous day's open int: Calls 286 Puts 195

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Dec	96-28	97-10	96-24	97-05
Mar	97-10	97-19	97-19	97-18

Estimated Volume 26887 (25802)
Previous day's open int. 27373 (28590)

7-10 YEAR 9% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Dec	95-10	95-11	95-07	95-09
Mar				

Estimated Volume 65 (0)
Previous day's open int. 761 (761)

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

	Close	High	Low	Prev.
Dec	103.73	103.80	103.70	103.24
Mar	102.46	102.50	102.35	102.15

Estimated Volume 576 (389)
Previous day's open int. 697 (662)

THREE MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev.
Dec	88.38	88.39	88.32	88.30
Mar	89.10	89.14	89.08	89.04
Jun	89.36	89.40	89.35	89.31
Sep	89.46	89.50	89.43	89.42

Est. Vol. (inc. figs. not shown) 16239 (15620)
Previous day's open int. 40554 (40119)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
Dec	185.20	185.20	184.00	185.00
Mar	186.70			186.50

Estimated Volume 1793 (1092)
Previous day's open int. 13766 (13788)

THREE MONTH EURODOLLAR
£1m points of 100%

	Close	High	Low	Prev.
Dec	91.40	91.40	91.37	91.42
Mar	91.48	91.48	91.45	91.51
Jun	91.34	91.35	91.32	91.38
Sep	91.17	91.16	91.15	91.20

Est. Vol. (inc. figs. not shown) 4945 (2927)
Previous day's open int. 30936 (30225)

US TREASURY BONDS 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
Dec	89-28	90-00	89-22	90-04
Mar	89-10			89-18

Estimated Volume 7274 (2822)
Previous day's open int. 12631 (12514)

6% NOTIONAL GERMAN GOVT. BOND
DM 250,000 100ths of 100%

	Close	High	Low	Prev.
Dec	96.36	96.57	96.33	96.48
Mar	95.77	95.92	95.78	95.84

Estimated Volume 6051 (5607)
Previous day's open int. 6108 (5856)

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7170	1.7119	1.7035	1.6920	1.6752

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Dec	1.7080	1.7098	1.7056	1.7040
Mar	1.6974	1.6990	1.6956	1.6930
Jun	1.6880	1.6890	-	1.6830

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev.
Dec	89-31	90-03	89-23	90-02
Mar	89-12	89-17	89-05	89-15
Jun	88-27	88-27	88-23	88-30
Sep	88-12	88-12	88-09	88-15
Dec	-	-	-	88-01
Mar	-	-	-	87-21
Jun	-	-	-	87-10
Sep	-	-	-	-
Dec	-	-	-	86-20
Mar	-	-	-	86-09
Jun	-	-	-	85-30

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Dec	92.80	92.81	92.79	92.83
Mar	92.82	92.82	92.80	92.84
Jun	92.71	-	92.71	92.74
Sep	92.53	92.53	92.51	92.56
Dec	92.39	-	92.39	92.41
Mar	92.43	92.43	92.43	92.47
Jun	92.40	-	92.40	92.41

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Dec	0.6433	0.6437	0.6427	0.6405
Mar	0.6498	0.6505	0.6495	0.6470
Jun	0.6575	0.6575	-	0.6545

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Latest	High	Low	Prev.
Dec	0.7695	0.7718	0.7676	0.7614
Mar	0.7761	0.7776	0.7745	0.7679
Jun	0.7840	0.7840	-	0.7754
Sep	0.7880	0.7880	-	0.7819

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Latest	High	Low	Prev.
Dec	0.5439	0.5444	0.5436	0.5430
Mar	0.5485	0.5485	0.5479	0.5470
Jun	-	-	-	0.5514

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Dec	91.39	91.40	91.37	91.40
Mar	91.47	91.48	91.45	91.48
Jun	91.33	91.34	91.32	91.35
Sep	91.16	91.16	91.15	91.18
Dec	91.01	91.01	90.99	91.02
Mar	91.05	91.05	91.03	91.05
Jun	90.96	90.96	90.95	90.97
Sep	-	90.89	90.87	90.89

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Dec	279.55	280.10	279.15	280.30
Mar	282.30	282.45	281.80	282.85
Jun	284.80	-	284.30	285.35

EUROPEAN OPTIONS EXCHANGE

Series		Nov. 88 Vol	Nov. 88 Last	Feb 89 Vol	Feb 89 Last	May 89 Vol	May 89 Last	Stock
GOLD C	$390	88	23 A	-	-	-	-	$406.80
GOLD C	$400	83	15.10	-	-	2	38	$406.80
GOLD C	$420	503	4.60	41	15.10	2	26	$406.80
GOLD C	$440	17	1.50	3	8	51	15.80	$406.80
GOLD C	$460	-	-	-	-	56	10	$406.80
GOLD P	$380	50	1.10	3	4.50	-	-	$406.80
GOLD P	$400	49	4	18	8	24	12	$406.80
		Oct. 88		Nov. 88		Dec. 88		
EOE Index C	Fl. 190	300	57 A	-	-	-	-	Fl. 246.27
EOE Index C	Fl. 225	70	21.20	1	22	-	-	Fl. 246.27
EOE Index C	Fl. 230	26	16.40	57	18	-	-	Fl. 246.27
EOE Index C	Fl. 235	100	11.90	6	14.50	-	-	Fl. 246.27
EOE Index C	Fl. 240	279	7.50	70	10	2	12	Fl. 246.27
EOE Index C	Fl. 245	87	3.60	124	6.50	-	-	Fl. 246.27
EOE Index C	Fl. 250	169	1.50	53	4.60 A	156	6.30	Fl. 246.27
EOE Index C	Fl. 255	111	0.50	15	2.60	10	4.50	Fl. 246.27
EOE Index P	Fl. 225	5	0.10	160	0.80	-	-	Fl. 246.27
EOE Index P	Fl. 230	3	0.30	118	1.30	-	-	Fl. 246.27
EOE Index P	Fl. 240	409	1.10	76	3.20	37	5 B	Fl. 246.27
EOE Index P	Fl. 245	48	2.50	131	5.30	-	-	Fl. 246.27
EOE Index P	Fl. 250	-	-	-	-	70	9.50	Fl. 246.27
S/FI C	Fl. 205	-	-	50	4.40	-	-	Fl. 208.68
S/FI C	Fl. 210	168	0.90	1005	1.60	60	2.60	Fl. 208.68
S/FI P	Fl. 205	-	-	-	-	47	2.30	Fl. 208.68
S/FI P	Fl. 210	62	2.50	2	3.60	10	5	Fl. 208.68
		Oct. 88		Jan. 89		Apr. 89		
ABN C	Fl. 45	1185	0.30	311	1.80	53	2.90	Fl. 42.90
ABN P	Fl. 40	25	0.10	88	1.10	18	1.60	Fl. 42.90
AEGON C	Fl. 90	347	1.80	69	5.30	2	7	Fl. 98.40
AEGON P	Fl. 90	32	1	61	3.60	1	4.20	Fl. 98.40
AHOLD P	Fl. 85	57	1.40 B	13	3.70	-	-	Fl. 84.60
AKZO C	Fl. 150	1938	3.10	580	9	88	15	Fl. 150.90
AKZO P	Fl. 150	563	1.90	253	6.70	9	8.50	Fl. 150.90
AMEV C	Fl. 55	688	2.70	174	4.70	3	7 A	Fl. 57.20
AMEV P	Fl. 55	-	-	98	2	2	3.10	Fl. 57.20
AMRO C	Fl. 80	898	0.90	361	3.80	13	5.80	Fl. 78.90
AMRO P	Fl. 80	98	1.90	74	4.10	-	-	Fl. 78.90
BUHRMANN-T C	Fl. 55	310	2.10	123	4.50	53	5.90 A	Fl. 56.90
BUHRMANN-T P	Fl. 55	60	0.40	36	1.80	14	2.70	Fl. 56.90
ELSEVIER C	Fl. 65	42	0.20	224	2.30	-	-	Fl. 61.20
ELSEVIER P	Fl. 60	58	0.50	16	2.20	-	-	Fl. 61.20
GIST-BROC. C	Fl. 45	232	0.90	719	3	100	4.40	Fl. 42.80
GIST-BROC. P	Fl. 45	195	2.80	92	4.10	-	-	Fl. 42.80
HEINEKEN C	Fl. 140	92	6.70	35	11.50	-	-	Fl. 145.50
HOOGOVENS C	Fl. 65	520	3.30 B	125	7	4	9.10	Fl. 67.80
HOOGOVENS P	Fl. 65	-	-	62	3	-	-	Fl. 67.80
KLM C	Fl. 35	337	2.70	234	4.10	7	5.20	Fl. 37.60
KLM P	Fl. 40	80	2.40 B	73	3.50	21	4.30	Fl. 37.60
KNP C	Fl. 45	254	0.30	277	2	84	3.10	Fl. 43.40
KNP P	Fl. 45	-	-	49	2.80	-	-	Fl. 43.40
NEDLLOYD C	Fl. 230	146	5	7	14	-	-	Fl. 231.50
NEDLLOYD P	Fl. 230	106	3	19	9.50	-	-	Fl. 231.50
NAT.NED. C	Fl. 65	386	1.50	639	4.10	60	5.70	Fl. 66
PHILIPS C	Fl. 30	1298	0.90	1361	2.20	143	3.20	Fl. 30.40
PHILIPS P	Fl. 30	211	0.40	252	1.80	204	2.80	Fl. 30.40
ROYAL DUTCH C	Fl. 230	417	1.50	215	8	41	12.50	Fl. 226.30
ROYAL DUTCH P	Fl. 230	483	5	130	8	40	10	Fl. 226.30
UNILEVER C	Fl. 120	302	1	1357	4.90	948	7	Fl. 117.90
UNILEVER P	Fl. 110	15	0.30	286	3	209	4.50	Fl. 117.50
VAN OMMEREN C	Fl. 35	-	-	2	0.60	50	1.10	Fl. 30.30

TOTAL VOLUME IN CONTRACTS : 55,305

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	12	City Merchants Bank	12	NatWestminster	12
Adam & Company	12	Clydesdale Bank	12	Northern Bank Ltd	12
AAB - Allied Arab Bk	12	Comm. Bk N. East	12	Norwich Gen. Trust	12
Allied Irish Bank	12	Co-operative Bank	*12	PRIVATbanken Limited	12
● Henry Ansbacher	12	Coutts & Co	12	Provincial Bank PLC	13
ANZ Banking Group	12	Cyprus Popular Bk	12	R. Raphael & Sons	12
Associates Cap Corp	12	Dunbar Bank PLC	12	Roxburghe Guarantee	12½
Authority Bank	12	Duncan Lawrie	12	Royal Bk of Scotland	12
● B & C Merchant Bank	12	Equatorial Bank plc	12	Royal Trust Bank	12
Bank of Baroda	12	Exeter Trust Ltd	12½	● Smith & Williamson Secs.	12
Banco Bilbao Vizcaya	12	Financial & Gen. Bank	12	Standard Chartered	12
Bank Hapoalim	12	First National Bank Plc.	13	TSB	12
Bank Leumi (UK)	12	● Robert Fleming & Co.	12	UDT Mortgage Exp	§12.75
Bank Credit & Comm	12	Robert Fraser & Ptnrs.	12½	United Bk of Kuwait	12
Bank of Cyprus	12	Girobank	12	United Mizrahi Bank	12
Bank of Ireland	12	● Guinness Mahon	12	Unity Trust Bank Plc	12
Bank of India	12	HFC Bank plc	12	Western Trust	12
Bank of Scotland	12	● Hambros Bank	12	Westpac Bank Corp	12
Banque Belge Ltd	12	Heritable & Gen Inv Bnk	12	Whiteaway Laidlaw	12½
Barclays Bank	12	● Hill Samuel	§12	Yorkshire Bank	12
Benchmark Bank PLC	12	C. Hoare & Co.	12		
Berliner Bank AG	12	Hongkong & Shangh	12		
Brit Bk of Mid East	12	● Leopold Joseph & Sons	12		
● Brown Shipley	12	Lloyds Bank	12		
Business Mtge Tst	12½	Meghraj Bank Ltd	12		
CL Bank Nederland	12	McDonnell Douglas Bnk	12.25		
Central Capital	12	Midland Bank	12		
● Charterhouse Bank	12	Mount Bnkg Corp.	12		
Citibank NA	12	Nat Bk of Kuwait	12		

● Members of British Merchant Banking & Securities Houses Association. * 7 day deposits 5.22% Sureview 8.47%. Top Tier-£10,000+ instant access 11.66% & Mortgage base rate. § Demand deposit 7%. Mortgage 12.375% - 12.75%

MONEY MARKETS

London rates ease

A STRONG pound put downward pressure on London money market rates yesterday. Three-month sterling interbank eased to 11⅞-11¾ p.c. from 11 15/16-11 13/16 p.c., but is unlikely to move much lower, after recent signals from the authorities that lower bank base rates will not be allowed in the near future.

The easing of short term rates was encouraged by surplus day-to-day liquidity.

The Bank of England initially forecast a money market surplus of £150m, but revised this to a surplus of £200m in the afternoon.

The authorities did not operate in the market before lunch, and in the afternoon absorbed surplus funds by selling £181m Treasury bills, due on October 14, at rates of 11⅛-11¼ p.c..

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £152m, with bank balances below target absorbing £20m. These factors were offset by Exchequer transactions adding £280m to liquidity, and a fall in the note circulation of £50m.

There was strong demand at the first tender of ECU Treasury bills to be held by the Bank of England. All three maturities were oversubscribed, with 924.5m ECUs bid for 200m one month bills; 1.73bn for 500m three-month bills; and 743m for 200m six-month bills.

The highest accepted yield for three-month bills was 7.20 p.c. and 81.3 p.c. of the amount applied for at that rate was allotted.

The highest accepted yield for for one-month bills was 7.00 p.c., of which 52.4 p.c. was allotted, and the highest yield for six-month bills was 7.30 p.c., of which 35.5 p.c. was allotted.

In Frankfurt call money eased slightly to 4.75 p.c. from 4.80 p.c. after the West German Bundesbank offered liquidity to the banking system, via a 28-day securities repurchase agreement tender, at an unchanged fixed rate of 4.25 p.c.

A pact of DM18.3bn expires today, and dealers generally expect the Bundesbank to fully replace this facility, and possibly add extra funds, to offset tax payments.

On the other hand banks' reserve holdings at the Bundesbank have been rising, reaching DM56.2bn last Friday, compared with DM54.6bn on Thursday.

If this trend has continued in the early part of this week it may discourage the central bank from fully replacing the expiring facility.

UK clearing bank base lending rate
12 per cent
from August 25 & 26

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct.11) 3 months US dollars		6 months US Dollars	
bid 8¼	offer 8⅜	bid 8½	offer 8⅝

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK Treasury Bills and Bonds

(Lunchtime)

Prime rate	10	One month	6.75	Three year	8.39
Broker loan rate	9¾	Two month	7.17	Four year	8.46
Fed. funds	8¼-⅜	Three month	7.52	Five year	8.50
Fed. funds at intervention	8¼	Six month	7.85	Seven year	8.66
		One year	8.05	10-year	8.76
		Two year	8.30	30-year	8.86

Oct.11	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	4.70-4.80	4.80-4.95	4.80-4.95	5.00-5.15	5.10-5.25	5.00
Paris	7⅛-7¼	7½-7⅝	7⅝-7⅞	7⅝-7¾	7⅞-7⅞	7.00
Zurich	1⅛-1⅜	3⅛-3¼	-	3⅜-3⅞	-	-
Amsterdam	4.25-4.75	5.25-5.35	-	5.37-5.47	-	-
Tokyo	4.03125	4.28125	-	4.40625	-	-
Milan	10¼-10½	11-11½	-	11¼-11¾	-	-
Brussels	7.20	7⅛-7¼	-	7⅜-7½	-	-
Dublin	7⅜-7⅝	7⅜-7⅝	7⅜-7⅝	7⅜-7⅝	7½-7¾	-

LONDON MONEY RATES

Oct.11	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	11½	11⅝	11⅞	11⅞	11 15/16	11¾
Interbank Bid	5	11⅜	11 13/16	11 13/16	11 13/16	11⅝
Sterling CDs	-	-	11 13/16	11¾	11 13/16	11⅝
Local Authority Deps.	11½	11½	11⅝	11 13/16	11⅝	11⅝
Local Authority Bonds	-	-	12⅛	12	12	12⅛
Discount Mkt Deps.	11¼	11½	11½	11½	-	-
Company Deposits	-	-	11 13/16	11 13/16	11⅞	11½
Finance House Deposits	-	-	11⅝	11⅞	11¾	11¾
Treasury Bills (Buy)	-	-	11⅛	11⅛	-	-
Bank Bills (Buy)	-	-	11 13/16	11⅝	11½	-
Fine Trade Bills (Buy)	-	-	12⅛	12⅛	11⅞	-
Dollar CDs	-	-	8.20-8.15	8.40-8.35	8.45-8.40	8.70-8.65
SDR Linked Dep Offer	-	-	7⅛	7⅜	7½	7⅝
SDR Linked Dep Bid	-	-	6⅞	7⅛	7¼	7⅜
ECU Linked Dep Offer	-	-	7¼	7⅜	7½	7⅝
ECU Linked Dep Bid	-	-	7⅛	7¼	7⅜	7½

Treasury Bills (sell): one-month 11⅛ per cent; three months 11⅛ per cent; Bank Bills (sell): one-month 11 13/16 per cent; three months 11½ per cent; Treasury Bills; Average tender rate of discount 11.4603 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day Sept.30, 1988. Agreed rates for period October.26,1988 to November 25, 1988, Scheme I: 13.12 p.c., Schemes II & III: 13.41 p.c. Reference rate for period Sept.1,1988 to Sept.30, 1988, Scheme IV&V: 12.234 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12 from October 1, 1988: Bank Deposit Rates for sums at seven days notice 3.75 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7½ per cent; one-three months 9 per cent; three-six months 9 per cent; six-nine months 9½ per cent; nine-twelve months 9½ per cent; Under £100,000 7 per cent from July.5,1988, Deposits withdrawn for cash 5 per cent.

LONDON STOCK EXCHANGE

Blue chips easier as sterling advances

THE UK equity market was in drab form yesterday, with firmness in the pound bringing profit-taking in the international blue chips while rights issue worries discouraged the broader range of the market. London was unimpressed by the new post-Crash high reached on Wall Street in curtailed Columbus Day trading, and was in fact steadying towards its close when New York opened the new session on the downside.

The blue chip exporters took their cue from the currency markets, falling smartly at first as the sterling exchange rate index moved higher, and rallying as official intervention trimmed sterling's gain.

The effects on equity market indices were magnified by sharp falls in a handful of leading stocks. Further delay with its new hyper-tension drug hurt Beecham, and Glaxo came in for profit-taking from the US.

Account Dealing Dates

*First Dealings:	Oct 3	Oct 17	Oct 31
Option Declarations:	Oct 13	Oct 27	Nov 10
Last Dealings:	Oct 14	Oct 28	Nov 11
Account Day:	Oct 24	Nov 7	Nov 21

*New time dealings may take place from 9.00 am two business days earlier.

Equities were on the downtack throughout the session and a rally which halved early falls was petering out towards the end of the day. The FT-SE Index closed 5.8 down at 1838.3. Seaq volume of 461m shares compared with 425.4m on Monday.

Tensions within the market were again reflected in policy moves by leading marketmakers. A decision by Warburg Securities to raise bargain sizes in selected stocks indicated the growing opposition to the reduction in sizes previously introduced by BZW and Phillips & Drew. Credit Suisse Buckmaster & Moore withdrew from marketmaking in food and brewery stocks, blaming the usual culprits: "low volume and uncertain trading patterns".

Traders were caught out at the market opening by the £80m rights issue from Ratners Group to finance its deal with Next. While the cash sum is small, the rights call will compete for the very modest new money put into equities by the institutions last week. With no more institutional money in sight yesterday, the market was upset by rumours that another rights issue might come today – Abbey Life was the name suggested, if not generally believed.

With a firm pound reducing the likelihood of another hike in domestic interest rates, store and building issues found buyers. Both sectors were also featured by renewed speculative interest. Stores were featured by huge activity in Sears on rumours that Hanson is poised to bid, while among the building issues, George Wimpey, one of the largest UK housebuilders, responded to buying pressure from overseas.

Consolidated Gold Fields gave further ground as the possibility increased that a monopolies referral will delay the outcome of Minorco's £2.9bn takeover bid. The mystery buyer of Lonrho shares returned to the marketplace

FINANCIAL TIMES STOCK INDICES

	Oct 11	Oct 10	Oct 7	Oct 6	Oct 5	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	86.94	86.92	86.74	86.47*	86.10	85.78	91.48 (18/4)	86.28 (2/9)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.34	97.01	96.87	96.70	96.70	92.27	98.57 (25/5)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1487.2	1490.3	1490.4	1481.5	1471.7	1847.4	1514.7 (8/8)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	181.6	177.3	175.9	174.2	173.0	447.6	312.6 (7/1)	162.7 (22/9)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.65	4.64	4.64	4.67	4.70	3.26				
Earning Yld %(full)	11.73	11.70	11.71	11.77	11.85	8.00				
P/E Ratio(Net)(*)	10.32	10.35	10.35	10.29	10.22	15.26				
SEAQ Bargains(5pm)	24,329	24,941	23,969	24,721	23,288	37,493				
Equity Turnover(£m)†	-	953.21	1534.29	1101.69	1367.24	4133.29				
Equity Bargains†	-	28,212	24,928	25,166	22,819	44,578				
Shares Traded (ml)†	-	407.0	492.5	465.5	503.7	522.7				

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1485.6	1489.0	1484.9	1487.1	1487.4	1487.3	1486.9	1488.5

DAY'S HIGH 1490.0 DAY'S LOW 1484.2

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. *Nil 10.24 †Excluding intra-market business. *Correction.

S.E. ACTIVITY

Indices	Oct 10	Oct 7
Gilt Edged Bargains	118.5	103.3
Equity Bargains	189.8	167.6
Equity Value	1925.7	3119.4
5-Day average		
Gilt Edged Bargains	107.7	100.9
Equity Bargains	156.5	132.8
Equity Value	2366.5	2351.1

● London Report and latest Share Index: Tel. 0898 123001

Sears debate revives

Sears sprang to life after trading quietly over the last few days. In turnover of 28m shares the price rose sharply to 140½p, a gain of 7½ on the day amid a plethora of rumours and speculation.

The large volume was led by activity on the traded options market where high prices were paid for out-of-the-money call options in dealing which reminded traders of the flurry in September. As news of this reached the share market there were rumours of a bidder for 5m shares at 138p against the prevailing price of 137p and the shares paused for breath only late in the session.

Dealers said buying came from all quarters as confidence grew that a bid was about to be announced by Hanson. A picture emerged in which Hanson would break up the Sears group, selling the Freemans mail order business to Next, Selfridges to the Al Fayeds as the price for the support of their key 10 per cent stake, and British Shoe to Wassall, the mini-conglomerate run by ex-Hanson managers, with Hanson keeping the profitable William Hill subsidiary. Hanson would make no comment on the rumours, while a spokesman for Sears said, "There is still no evidence of unusual activity on our shareholder register and we see today's trading as a continuation of recent speculation." Wassall closed at 248p, down 18.

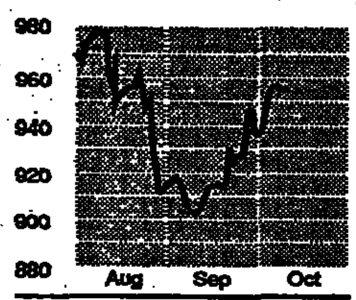
Beecham uncertainty

There was a bout of selling of Beecham shares as new doubts over the prospects for Cromakalim, its hypertension drug, surfaced in the market. Citicorp Scrimgeour Vickers, the UK securities house, marked Beecham "a selling opportunity" after hearing negative clinical reports on the drug. The shares ended 18 down at 469p after turnover of 4.6m shares.

Beecham, while agreeing that the launch of Cromakalim is likely to be delayed by 12 to 18 months to 1993-4, yesterday denied suggestions that the drug might be dropped altogether. The delay is expected to result from a replacement of the drug in its present compound with a new isomer derivative of lower potency. Some analysts, however, think that Cromakalim could be used in combination with a beta-blocker.

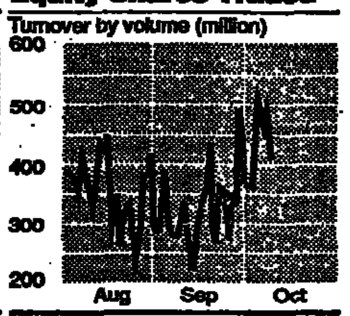
Scrimgeour, warning against over-stating the implications for Beecham profits of Cromakalim, predicted that annual sales of the drug are more likely to be around £250m than the £500m-£700m forecast by some analysts. A statement on Cromakalim's prospects is expected when Beecham releases its interim profits figures next month.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



Wimpey build-up

The rumours surrounding George Wimpey, the construction and house-building group, triggered another major upturn in the share price which closed 12½ higher at 282p. "There was a big buyer in the market yesterday and plenty of keen bids on the inter-dealer broker screens", one trader in the shares said.

Turnover – highly significant in terms of the stories about Wimpey, according to dealers – expanded again and reached the 10m mark, after the 5m on Monday. The speculation was, inevitably, that the Grove Charity Trust had again been approached and asked to sell its 35 per cent stake in the building group.

There were thought to be plenty of potential buyers, with "down-under" predators keen to prompt a bid battle in the UK construction arena where already some large stakes have been accumulated.

Sir Ron Brierley and Mr John Spalvins were two names being bandied about, but Japanese buyers of the stake – Aumagai Gumi was heard in the market – were not being ruled out either. Questioned as to the likely price for the Grove Charity stake, building analysts yesterday were taking the view that "serious bids for the stake would start around the 320p mark" – and would quickly spiral from there."

Lonrho reheated

Lonrho refused to concede the leading role in the market's other current soap opera. The latest assault on the shares originated from a leading London house, but the initiative swung back later to the regional broker responsible for Monday afternoon's attack on the market. Situated north of the border, the securities house began bidding aggressively again for stock.

Lonrho shares, down to 318p earlier the previous day, rebounded against the wider market trend as short-term operators put their money down for further developments soon. Volume increased noticeably – 13m shares were finally traded – and the price closed 10 higher on the session at 335p.

The market was awash with fresh speculation about a predatory investor forsaking established sources to conceal its identity. "Somebody is trying to throw us off the scent by using a comparatively small house, but there is little doubt that stakebuilding is going on," said a trader. "My guess is Bond Corporation rather than Mr Asher Edelman, the New York corporate raider", he continued.

Speculation over the past few days concerning the possibility of a stake-builder in Carless Capel proved correct as Kelt Energy revealed it had acquired a 1 per cent-plus holding (1.8m shares) in the oil group and "was considering making an offer for Carless, which would include a cash alternative, and would probably have a value of 115p to 120p a share". Carless shares, up 9 on Monday, jumped to 112p, before closing a net 5 higher at 111p.

International stocks had an uncertain day, with Glaxo falling 16 to 1088p and ICI losing 13 to 1024p as US interest disappeared. ICI was also subdued by forecasts that a strong pound might move to D-Mark 3.30 in the near future. BOC fell 7 to 421½p as a long-lasting bear squeeze slackened and Hanson fell 1¾ to 149¾p.

Dealing in the sector was enlivened by Hoare Govett's decision to increase size in leading stocks, including ICI, Glaxo, BTR, Hanson and Wellcome. Other leading marketmakers are expected to follow suit before the week is out.

Rumours of a rights issue from Abbey Life cast a shadow over the insurance market. Dealers and analysts were sceptical about the chances of an issue which, so the story went, would accompany the interim dividend; the consensus in the market is that the payment would be increased from 3p to 3.5p. Abbey shares, rocked by the rights rumours, closed 8½ down at 305½p on turnover of 2.8m.

The emphasis in the building sector shifted slightly away from the construction area – Wimpey apart – and focussed once more on cement producer Blue Circle Industries which raced up 6 to 495p. Turnover in the shares amounted to 2.8m and dealers continued to speculate on the possibility that a full bid for the company could eventually materialise.

Rush & Tompkins, the property development group, saw its shares surge 26 to 303p ahead of news that Overseas Strategic Holdings has sold a 9.98 per cent stake in the company, thereby reducing its stake to 2.89 per cent.

Sears inspired other stocks in an active stores sector which featured Next's sale to Ratners of its jewellery business. Next fell 2 to 182p despite being rated a trading buy by several analysts, while Ratners dropped 24 to 192p after also announcing its third rights issue in 18 months to finance the purchase from Next of Zales and Salisbury. It gave details of provisions against a possible referral to the Monopolies and Mergers Commission.

Burton rose 8 to 212p, Woolworth advanced 6 to 263p and Storehouse improved 3 to 189p, all on the back of the excitement in Sears. Lloyds Chemists fell 9 to 127p on profit-taking after its bumper profits.

Ferranti were again head and shoulders above the other front-line electronics in terms of turnover; 13m shares changed hands, after Monday's 10m and last Friday's 12m. The shares settled 2⅛ off at 93p with sellers getting the upper hand again. The market is still expecting good news on the group within the next couple of weeks regarding the choice of radar systems for the Eurofighter aircraft.

Engineering stocks made a drab picture, as firmness in the pound unsettled export sales prospects and some of the recent speculative froth was blown off. Delta Engineering, down 6 at 288p, and GKN, a couple of pence off at 324p, were prominent among sector leaders with modest losses.

However, a few exceptions stood out against the trend. Pilgim House edged higher to 257p as the market awaited the next development on Williams Holdings' recommended £331m offer.

Another strong rise in Hawker Siddeley, 13 higher at 538p, appeared to reflect buying ahead of the trading statement, which comes in the next equity trading Account. Turnover was modest and traders commented that the marketmakers were short of Hawker shares. "We've seen nothing to change our view on the stock", commented Ian Wild at BZW.

Redfearn rose 63 to 529p on an intimated offer from its major shareholder, OVS Investment. Bridon raced ahead as the speculative chase for stock hotted up, but after touching 187p reacted to close 4 dearer on balance at 179p. MB Group, another current bid favourite, shook off Monday's disappointment following the Williams' offer for Pilgrim House and rebounded 12 to 273p. BTR is regarded as the most likely predator.

News of the joint venture with Desede Projects AG of Switzerland left Dauphin 3 down at 135p, while profit-taking lowered English China Clays 10 to 510p. Hepworth returned to favour at 235½p, up 6½, and Celestion Industries gained 5 to 55p on news that the company's President had sold a near-30 per cent shareholding to a group of investors.

Dowty continued to find investment support and moved up 4 more to a year's best of 231p. Commercial vehicle manufacturers also attracted a better following after the second interim figures from Plaxtons, finally 8 better at a 1988 peak of 201p. ERF rose 7 to 415p.

Stoddard Sekers drew support on the back of an article suggesting Tie Rack would make a bid. The shares jumped 5 to 48p, but late yesterday a source close to the latter group dismissed the report

There was little in the way of major activity in the oil and gas sector despite talk of imminent developments at British Gas and a much firmer showing by crude oil prices.

The latter picked up some 35 cents a barrel after a statement was issued by the Saudi Arabians saying they "would immediately return to quota volumes if other OPEC memebers would do so".

There was a rumour late in the session that British Gas was to make an announcement early today regarding an acquisition with LASMO and the remaining Tenneco assets mentioned as possible candidates.

The interest in Sears lifted traded options dealings to an above-average level, and accounted for almost 21 per cent of the market total of 35,973 contracts. Overall calls came to 27,600 contracts and puts to 8,373. Sears - against the background of bid talk - attracted dealings in 7,501 contracts, with calls amounting to 7,027 and puts to 474.

There was particularly strong activity in the December call series in exercise prices of 130p to 160p. The Sears December 140 calls alone brought turnover of 2,564 contracts. Trading in the FT-SE 100 Index helped in the recovery in market turnover, with a total of 3,881 contracts split into 1,745 calls and 2,136 puts.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 31

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
[illegible]															
Brit. Aerospace	371	479	-5	Guinness	2,100	330	-1	Prudential	1,800	158	-2½	THORN EMI	274	648	-1
Brit & Comm.	717	221	-1	Hammerson 'A'	39	658	-2	Racal	1,900	317½	+2	Trafalgar House	266	317½	-2
British Gas	1,800	171½		Hanson	5,900	149¾	-2	Rank Org.	516	721	+2	Trusthouse Forte	2,200	263½	+4½
British Land	329	346	-1	Harrisons & Cros.	377	650	-13	RMC	981	493	-12	Ultramar	212	246	+½
BP	2,286	238	-1½	Hawker Siddeley	2,200	538½	+13½	RHM	311	379		Unilever	846	466	+1
British Telecom	1,300	243½	-1½	Hillsdown Hldgs	2,300	278	+1	Reckitt & Colman	262	923	-6	United Biscuits	348	286	-1
Burmah Oil	90	537	-4	IMI	1,700	284	-1	Redland	2,800	436	-4	Utd. Newspapers	669	412	-1
Burton	4,900	212	+8	Imp. Chem.	2,200	£10¼	-¼	Reed International	409	410	-5	Wellcome	166	513	-3
Cable & Wireless	1,400	399	-8	Inchcape	693	215	-5	Reuters 'B'	368	511	-6	Whitbread 'A'	161	296	+1
Cadbury Schweppes	1,500	372	+2	Jaguar	605	264	-4	RTZ	3,100	433	-2	Williams Hldgs.	960	273	-3½
Coats Viyella	1,800	167½	-½	Ladbroke	1,100	459	-4	Rolls Royce	2,000	137	-½	Wimpey	10,000	282½	+13
Commercial Union	1,300	356½	+2½									Woolworth Hldgs.	1,800	263	+6

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (68) [illegible] Instruments Grp., Pilco Hldgs., Plessey, ENGINEERING (8) Davy Corp., Fife Indmar, Johnson & Firth, FOODS (2) Clifford's Dairies, Kraft Inc., INDUSTRIALS (8) ASL, C'bell & Armstrng., Hughes (H.T.), MS Grp., Macfarlane, Scott Robertson, INSURANCE (1) Sun Alliance, LEISURE (4) Capital Radio, Piccadilly Radio, Radio Clyde, TVS Ent. 7.4pc Prf., MOTORS (1) Plaxton, NEWSPAPERS (2) Adscene, Int'l Thomson, PAPERS (1) Usher Walker, PROPERTY (3) [illegible] TRUSTS (10) THIRD MARKET (1) Takare. NEW LOWS (35) [illegible] STORES (3) House of Lerose, Ratners, ELECTRICALS (3) Personal Comps., Ross, Synapse Comp't., FOODS (1) Argyll & Hutcheson, INDUSTRIALS (5) CCF, Sale Tilney, Talbex, Tamaris, Tech. Project Serv., LEISURE (1) A & M Grp. 10% Cv. Uns., PAPERS (1) KLP Grp., SHIPPING (1) Lon. O'seas Frtrs., OILS (4) Caspen Oil, New London Oil, Sandpiper Oil, Total-Cie, MINES (2) ACM, Western Areas.

APPOINTMENTS

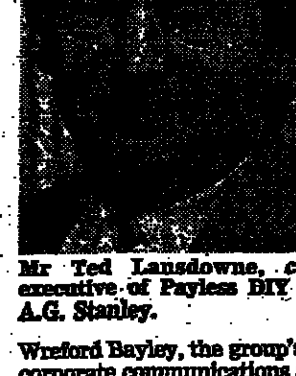
Senior posts at Ward White Group

WARD WHITE is merging the retailing activities of A.G. Stanley, which comprise FADS, Decor 8 and Homecharm, into one retail division. The management structure has been simplified and the following senior appointments have been made: Mr Ted Lansdowne, an associate director of the Ward White Group and previously the managing director of Payless DIY, has been appointed chief executive of Payless DIY and A.G. Stanley. Mr Lansdowne will be responsible for the overall management of both companies and report to the board of Ward White Group.

Mr Nick Nicholson, previously the operations director of Payless DIY, has been appointed managing director of Payless DIY. Mr Nicholson, who will be responsible for the day-to-day management of Payless DIY, will report to Mr Lansdowne.

Mr Peter Kirby, previously the managing director of the FADS division, has been appointed managing director of A.G. Stanley.

■ The VPI GROUP has appointed Mr Dale Fishburn as chief executive (UK and Europe). Currently chairman and chief executive of McAvoy Wreford Bayley, the group's corporate communications and government relations consultancy, Mr Fishburn will join the board of the group's international subsidiary, Valin Pollen International, and will be taking increasing responsibility for the overall management of the group's operations outside the US.



Mr Ted Lansdowne, chief executive of Payless DIY and A.G. Stanley.

■ Mr Philip Holdstock has been appointed general manager, treasury and capital markets, of POSTIPANKKI (UK).

■ FKI BABCOCK has made the following appointments within its electrical products group: Mr Nigel Young, managing director of GEC's Avery Denison subsidiary, is made managing director of FKI Crypton. Mr Brian Baker, formerly with Berkel, has become managing director of Laurence Scott and Electromotors. Mr Barry Jameson, previously managing director of Hopkinsons Holdings, has been appointed managing director of the transport equipment division. Mr Andrew Michel, formerly technical director at GEC Switchgear, becomes managing director of Babcock Transformers.

■ Mr Michael Haffenden joins HEWLETT-PACKARD as director of personnel. He was previously group management development manager at Rowntree's in York.

■ Mr Raymond G. Ross has joined BURRELL CONTRACTS as finance director. He is also finance director of the Burrell Co, the Edinburgh-based property development company.

■ CHARTERHOUSE BANK, the merchant banking subsidiary of the Charterhouse Group, has appointed Mr Michael Higgins, Mr Peter May and Mr Peter Wisher directors of the corporate finance appointment. Mr David Doncaster, Ms Pauline Emburey, and Ms Carolyn Holbrook have become assistant directors.

■ At GRANT THORNTON Mr David Fisher has become managing partner of the firm's three London area offices and Mr Michael Cleary managing partner of its London practice.

■ FAIRCLOUGH CIVIL ENGINEERING, a member of the AMEC Group, has appointed the following corporate directors: Mr Les Bell, divisional managing director of Fairclough Piling and Marine, Mr Chris Harding, director, southern region, Mr Peter Loebinger, director, northern region, and Mr David Lowe, director major projects.

■ Sir Alex Fletcher is to join the board of the LIFE ASSOCIATION OF SCOTLAND as a non-executive director. He is managing director of Fletcher Scott.

■ FENCHURCH INSURANCE BROKERS has appointed Mr Jim Hoey an executive director of Credit Insurance Services. Mr Miles Ritchie and Mr Roger Palmer have been made directors of Fenchurch London. Mr Peter Walker has become an assistant director of Fenchurch London.

■ Mr David Klima and Lord John Wellesley have joined the board of J.H. MINET & CO. Mr Simon Waller has been made divisional director of the bloodstock division.

■ Mr Gordon Sapstead is retiring as managing director of INTERNATIONAL COMMERCIAL BANK early next year and will be succeeded by Mr Michael Wells, general manager, international, of the Hongkong and Shanghai Banking Corporation.

LONDON SHARE SERVICE

AMERICANS—Contd

1988 High	Low	Stock	Price $	+ or −	Div Gross	C'vr	Y'ld Gr's
28⅝	19 13/16	Texaco $6.25	26⅛		♦$3.00	—	6.7
27⅛	22⅝	Texas Instr. $1	23 11/16	+⅛	72c	—	1.8
70¼	43¾	Time Inc. $1	70 5/16	+1 5/16	$1.00	—	0.8
21½	15⅞	Transamerica $1	20 3/16	−⅜	$1.84	—	5.3
20¼	14½	TRINOVA Corp.	16¼	−⅛	64c	—	2.2
19	15⅛	USX $1	16⅛	−⅛	$1.20	—	4.4
24 7/16	17⅝	Utd. Technologies	24 3/16	−¼	$1.60	—	3.9
34⅝	26⅛	US West§	34⅛		$3.52	—	6.1
24⅞	16⅞	Waste Management $1	24⅛	−⅛	48c	—	1.1
16¾	12⅞	Whirlpool $1	15½	+⅛	$1.10	—	4.2
33 3/16	18¼	♦Woolworth $3½	32⅝	−¼	$1.64	—	3.0

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS—Contd

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LONDON SHARE SERVICE

LEISURE—Contd

1988 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
156	120	First Leisure	153	−1	12.34	3.6	2.0	18.4
625	325	GWR Group 20p	625	.....	—	—	—	24.6
50	42	[illegible] TVA 10p	47	−1	2.5	2.6	7.1	7.2
41	26	Greenwich Cams	35	−1	—	—	—	—
282	210	HTV Ord	272	−2	12.7	♦	5.9	♦
133	45	Hawkmoor A$0.25	112	.....	Q15c	♦	6.5	♦
163	142	Hi-Tec Sports	147	+2	13.6	3.1	3.3	13.2
32	14	Int'l Media Comm. 5p	28½	−1	—	—	—	—
76	49	Juliana's Hldgs 2p	73	+5	2.85	1.4	5.1	16.4
46½	32	Kunick 10p	40½	−1	†1.0	2.4	3.3	16.1
177	122	LWT 5p	163	−4	5.7	2.9	4.7	9.9
448	183	Land Leisure 10p	351	−1	8.0	4.6	3.0	9.3
*118	68	Leisure Inv 10p	96	.....	gt1.45	2.2	2.0	32.5
*112	64	Leisuretime Int 10p	77	−1	—	—	—	—
440	235	Marina Dev. 50p	415	.....	1.0	3.5	0.3	81.9
218	166	Mecca Leisure 10p	173½	+½	3.65	2.3	2.8	17.3
127	79	Medminster 10p	118	−2	3.67	♦	4.2	♦
179	126	Midsummer Leis 10p	178	−1	†1.6	3.1	1.2	29.8
455	200	Miss World 10p	443	+3	8.0	2.6	2.4	21.6
62	32	Mollaire Visions 5p	47	.....	—	—	—	27.1
23	17	Omnicorp Inv A$0.5	20	.....	Q2c	3.5	3.5	4.7
169	87	Orient Ex Hlds $0.125	124	+6	—	—	—	—
*81	61	Owners Abroad 3p	62	.....	g2.1	1.9	4.6	18.6
358	218	Pavilion Leisure 10p	318	.....	—	—	—	—
206	55	P'dilly Radio &V 5p	206	+6	12.25	2.0	1.5	45.4
264	175	Pickwick	231	.....	12.6	2.9	1.5	30.2
*262	147	Pleasurama 5p	214	.....	46.0	2.4	3.7	12.6
[illegible]								

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

[illegible]

IRISH

[illegible]

TRADITIONAL OPTIONS

3-month call rates

Industrials

[illegible]

Property

[illegible]

Oils

[illegible]

Mines

[illegible]

A selection of Options traded is given on the London Stock Exchange Report Page

COMMODITIES AND AGRICULTURE

Far East buying hits supply of small gold bars

By Kenneth Gooding, Mining Correspondent

REFINERIES world-wide are currently unable to meet demand for kilogram bars of gold, much favoured by investors in the Far East.

"It is usually possible to get kilo gold bars from the refineries in two or three weeks. But at the moment they say this type of bar is not available until the middle of January – even though they are working flat out," said Mr Alan Baker of Sharps Pixley, the London bullion dealer which is part of the Kleinwort Benson group.

He suggested, at a briefing for investment managers, that the unprecedented demand for kilogram bars illustrated the importance of Far East buying of physical gold in the current bear market for the precious metal.

He estimated that the major Far Eastern countries would buy about 1,169 tonnes of gold this year compared with 518 tonnes in 1987.

Taiwan, which has been switching some of its official dollar reserves to gold, is likely to overtake Japan as the biggest buyer in the region with 380 tonnes against 87 tonnes last year.

Mr Baker said Hong Kong would also move ahead of Japan and increase gold bullion purchases from 132 tonnes to 377 tonnes. Japan, which last year bought 239 tonnes, is likely to increase its offtake to 280 tonnes.

Singapore would also show a substantial percentage increase in gold bullion buying – from 40 tonnes to 130 tonnes.

Mr Baker said the recent fall in the gold price from $430 a troy ounce to $390 was sparked off by Australian producer hedge selling. When the price began to fall steeply many producers, including some from the US, "dashed to catch the boat." However, as the recent partial recovery in the gold price suggested, "the panic has now gone."

Mr Graham Birch, gold analyst with Kleinwort Benson Securities, suggested that the industry was currently halfway through a bear market for gold which had so far lasted ten months and seen the price fall by 20 per cent.

The experience of previous bear markets would suggest that the gold price might fall as low as $175 to $286 an ounce between September 1989 and April 1990. But Far East demand was adding a completely new ingredient to the situation this time and Mr Birch predicted the gold price would go no lower than $320 an ounce.

Palm oil fund planned

MALAYSIA WILL launch a national fund to promote palm oil and to counter allegations by the American Soybean Association that it is unhealthy, reports Reuter from Kuala Lumpur.

Mr Alias Ali, the Deputy Primary Industries Minister, said a Bill to be introduced in parliament next March would establish the fund, which is to be raised by the Government and the private sector.

The deputy minister said the Government would match industry contributions to the fund "dollar for dollar." He declined to specify how much money was hoped for.

"The amount will be sufficient to fight whatever campaign by whatever organisation," he said.

WEEKLY METALS

All prices as supplied by Metal Bulletin (last week's prices in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 2,170-2,200 (2,180-2,210).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 5.80-6.00 (5.85-6.05).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, ingots 6.30-6.70 (6.60-7.00), sticks 6.30-6.70 (6.60-7.00).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 7.00-7.25 (7.05-7.30).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 310-325 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.48-3.52 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 9.25-9.50 (9.50-9.70).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO, cif, 54-62 (same).

VANADIUM: European free market, min. 98 per cent, VO, cif, 5.90-6.20 (5.80-6.10).

URANIUM: Nuexco exchange value, $ per lb, UO, 14.15 (same).

Zambian corporation lifts copper output

By Nicholas Woodsworth in Lusaka

ZAMBIAN Consolidated Copper Mines, the country's state-controlled copper and cobalt mining corporation, has released much improved sales figures in its 1988 annual report.

In the financial year ending March 31 copper production rose to 473,084 tonnes from a 1986-87 figure of 470,982 tonnes and sales of the metal rose to 482,189 tonnes from a figure of 451,396 tonnes in the previous financial year.

Total revenue from sales climbed from 6.88bn kwacha (£510m) in 1986-87 to K11.88bn in 1987-88 and soaring world prices allowed ZCCM to turn in a net profit this year of K372m, compared with a loss of K562m in the 1986-87.

The figures do not, however, accurately reflect the long-term production or profit trends in the Zambian copper industry.

In order to take full advantage of current high prices, which are not expected to last, ZCCM made unsustainable efforts to obtain the highest extraction rates possible.

Part of the increase over 1986-87 production was attributable to ZCCM's tailings leaching programme, which in reprocessing solids from old tailings dumps allows a rapid extraction rate.

In a move to maximise production ZCCM has also exploited its open-cast mining operations while neglecting overburden removal. This will now have to be attended to, with resulting production cuts.

Other factors now affecting production include laying off of expatriate staff as a result of the corporations's "Zambianisation" programme, a deterioration in mine and machine maintenance, and a shortage of foreign exchange to purchase vital spare parts. ZCCM is permitted to keep only one third of its foreign exchange earnings.

Production for the first month of the current financial year has already suffered.

April figures totalled only 23,000 tonnes, 17,000 tonnes below set targets. May was better at 30,000 tonnes, but that was still 10,000 tonnes below target.

ZCCM is aiming for a total of 500,000 tonnes of copper for the current financial year. Because of production problems, however, some industry analysts have predicted the figure will be as low as 370,000 tonnes. More generous estimates by independent analysts in Zambia put the total around 430,000 tonnes.

Ivory Coast defies logic on cocoa pricing

Nicholas Woodsworth on the biggest producer's refusal to bow to market pressure

THE IVORY Coast is a country of minimal change. The equatorial temperatures vary by only three or four degrees, night and day, throughout the year, and the sun rises and sets at the same time every day. Humidity remains always just about bearable. Even the nation's leader has remained in office for almost 30 years, a near-miracle in this politically volatile part of the world.

A remarkable example of the country's unchanging nature came last week at the beginning of the new cocoa season, when President Houphouet-Boigny announced there was to be no change in the guaranteed price the national marketing board, the Caistab, pays Ivorian cocoa farmers for their produce.

Pricing policy is no small affair in the Ivory Coast, the world's largest cocoa producer. With one of the highest per capita GDPs in Africa, the country's wealth is built on cash crop exports – 40 per cent of foreign earnings come from cocoa and 20 per cent from coffee. About 80 per cent of these crops are produced by the nation's small farmers, whose welfare depends on guaranteed government prices.

Farmers had been anxiously awaiting a pricing policy announcement for months. Faced with global over-production, tumbling prices, and its fourth consecutive record crop, the Ivory Coast seemed to be headed towards a politically unpopular price reduction.

The arithmetic of today's cocoa market make a price cut a logical choice. In local Ivorian terms, the world price of cocoa has now dropped to about 450 CFA francs a kilogram. The cost to the Caistab, however, has remained at 700 francs. Of this amount 300 francs goes to transport and handling costs. The remaining 400 CFA is the sum the Ivorian Government has committed itself to paying peasant producers.

In these circumstances, four straight record harvests have been a mixed blessing; the more cocoa the Ivory Coast sells at current rates the more money it loses. In the 1986-87 season alone the Caistab had a deficit of US$320m.

President Felix Houphouet-Boigny's decision not to drop producer prices in spite of these difficulties is only the lastest in a series of actions defying world cocoa markets.

Depressed prices, the Ivorian leader maintains, result not from oversupply but from market manipulation. He has long expressed his lack of confidence in the International Cocoa Organisation's (ICCO) producer/consumer accord. The failure of ICCO talks in September to negotiate a workable system to defend producer prices prompted him to state that Ivory Coast would not join the next pact unless major modifications gave producers a better deal.

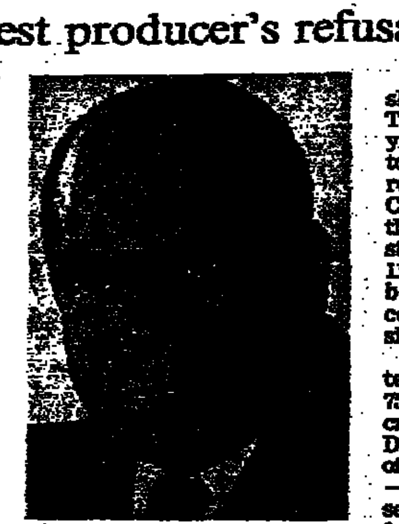
This rankles many consumer members, who maintain that the Ivory Coast's refusal to drop the ICCO price defence range to realistic levels and to pay its $48m levy arrears to the buffer stock fund have been major factors frustrating negotiations on the accord.

BELATED hedging against recent producer sales sparked off a sharp fall in cocoa prices yesterday.

The downtrend was seen first in the New York market but was quickly followed in London, where the March futures position hit the £40 permissible daily limit at one stage.

Prices steadied later as speculators and traders covered short positions, but March cocoa still ended £31 down on the day at £772 a tonne.

Dealers said the hedging was principally against Malaysian, Ghanaian and Nigerian sales. The Ivory Coast has not been a seller recently.



President Houphouet-Boigny: choosing political stability over economic health

No one, however, can ignore the logic of profit and loss, and earlier this year the Ivorians adopted a strategy that, in the short term at least, seems to be working.

In July Mr Denis Bra Kanon, the Agriculture Minister, confirmed that Ivory Coast had earlier in the year adopted a policy of keeping its cocoa off the market unless a break-even price of 700 CFA a kilogram could be obtained.

Partly because many traders had already sold forward, and partly because Ivorian cocoa is a premium product, the Ivory Coast since then has been able to sell about 150,000 tonnes at higher than market prices in the last two months alone.

This policy can only be of short-lived benefit, however. The 1987-88 cocoa season yielded an estimated 685,000 tonnes, of which 50,000 tonnes remain stocked in the Ivory Coast. Mr Bra Kanon says that the country has 200,000 tonnes storage capacity, while another 110,000 tonnes capacity could be made available by converting grain and rice silos.

This season's crop is expected to produce 700,000 to 750,000 tonnes. With the main crop due in November and December, and only 20 per cent of the total crop sold forward – normally at this stage of the season at least half is spoken for – it seems unlikely that the withholding policy can be physically maintained for much longer.

What will be the consequence of Mr Houphouet-Boigny's decision to hold out for higher market prices while at the same time refusing to drop producer prices? Externally, the withholding policy has damaged the Ivory Coast's reputation as a reliable supplier. It has also kept world prices from dropping even further.

Domestically, the maintenance of producer prices has grave economic consequences in both the short and long term.

Because it has managed to sell cocoa at premium prices in the last few months, the Caistab estimates its deficit for the 1987-88 season will be between 70bn and 80bn CFA francs, 20 to 30 per cent lower than the previous season. It also says it will be able to close this gap using a 17bn CFA francs credit from the EC's Stabex fund and an IMF compensatory financing facility of SDR 82.8m (63m).

These calculations, however, are of small significance when the larger export deficit picture, a result largely of decreased cocoa sales, is taken into account.

Last December Ivory Coast succeeded in rescheduling its Paris Club debt, and in April received similarly generous rescheduling terms from its commercial London Club creditors. When the first interest payments came due in May, however, the Ivory Coast, complaining of low commodity prices, said it was unable to pay.

The result was that the IMF has suspended a standby agreement worth SDR 94m, and the World Bank has blocked approval of new loans totalling $550m. It is understood that the Bank was prepared to approve the loans only if Ivory Coast lowered its producer prices.

Whether or not the World Bank now adheres to this prescription will be decided in future negotiations. What is certain, however, is that the maintainance of producer prices will not help Ivory Coast out of its deep economic trouble.

To make a profit at present world market rates Caistab would have to cut its producer price by 50 per cent. The World Bank, in a recent confidential report, advised that 10 per cent would be a politically and socially acceptable reduction.

Not only would it reduce the Caistab's deficit, but it would also encourage farmers to move into non-traditional export crops – the only real solution for the Ivory Coast.

Neither alternative has proved acceptable to President Houphouet-Boigny, who seems to have chosen political stability over economic health. In the short term this may pay off; in the long term it could lead to more changes, none of them positive, than the country has ever seen.

West Bank olives under threat

By Andrew Whitley in Jerusalem

OLIVES, THE mainstay of the West Bank agricultural economy, are likely to become the next victim of the continuing unrest in the Israeli-occupied territory.

As the annual picking season gets under way, the military authorities have made clear that they intend to use the economic importance of the olive crop to local communities as a weapon in their efforts to restore Israeli control.

Adding weight to the threat is the prospect of a near-record crop this year for olive growers up and down the stony hill country which makes up the West Bank. After last season's paltry output – put at about 8,000 tonnes – officials from the military-run Civil Administration reckon that this year's yield could hit 130,000 tonnes.

According to the Civil Administration, no restrictions are either in force or being contemplated on the sale of olives and olive oil in the West Bank. Nor are limitations planned on exports to the rest of the Arab world, via Jordan, an official said.

These assertions, however, are directly contradicted by Palestinian businessmen and by no less a figure than Major-General Amram Mitzna, head of the Israeli Army's Central Command, the top-ranking officer in charge of putting down the ten-month-long uprising.

Owners of olive presses in the Nablus and Hebron districts say the Civil Administration is refusing to grant export licenses without a hefty down payment of JDr 10,000 (US$25,000).

General Mitzna, meanwhile, is on record as warning that, once the picking season gets into high gear next week, access roads to certain troublesome villages will be blocked off, preventing farmers from getting their crop to presses and preserving plants.

"We have already done it with grapes and plums," he told Israel Television, "and we'll do the same with olives where necessary."

In one, tragi-comic incident a few weeks ago, villagers from Tall, near Nablus, had all their donkeys impounded by the army, following a failed attempt to smuggle figs to market across the hills.

Zimbabwe tobacco sales close after record year

By Tony Hawkins in Harare

ZIMBABWE'S 1988 flue-cured tobacco sales have closed after a record year in which the average leaf price rose more than 80 per cent. An estimated 118m kg of tobacco has been sold at an average price of 397 Zimbabwe cents (210 US cents) a kilogram.

Total grower revenue from tobacco is estimated at some Z$470m – up 68 per cent on last year. The sharply higher prices reflect a much better quality crop than in 1987, along with some worldwide firming in tobacco prices.

Tobacco exports from Zimbabwe will exceed $500m this year and replace gold as the country's top export. In foreign currency terms, however, the price improvement is far less impressive. In Zimbabwe cents this year's price average is more than double that achieved in 1982. But in US cents, the 1988 price is fractionally lower than that ruling six years ago and only 15 per cent higher than in 1986.

While growers are delighted with this year's outcome, they acknowledge that conditions are likely to be much tougher in 1989.

Profitability is expected to be sharply reduced next year as costs are rising very rapidly at present and average production costs in 1989 are likely to be at least 20 per cent higher than in the season just ended.

WORLD COMMODITIES PRICES

LONDON MARKETS

ZINC prices continued to rise on the LME yesterday against a background of good physical demand, falling stocks and constructive charts. The continued threat of an indefinite strike by Peruvian miners from October 17 also helped the firm tone, dealers said. Three-month metal added $31.50 to close at $1,374 a tonne. Now that it has broken through $1,350 a tonne, the three-month price is likely to test the record high of $1,385 seen in June, chartists said. Copper prices also continued upwards, three-month metal hitting another sterling record in the afternoon after a surge of fresh speculative buying on Comex, where traders expect a further decline in warehouse stocks. The next few months are expected to see strong trading on both sides of the Atlantic as consumers scramble for material to cover their end-year requirements.

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$10.05-0.20z	+.175
Brent Blend	$12.39-2.45z	+.105
W.T.I. (1 pm est)	$13.59-3.62z	+0.01
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$155-158	
Gas Oil	$110-111	+5
Heavy Fuel Oil	$55-57	+2.5
Naphtha	$121-124	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$406.25	-0.75
Silver (per troy oz)♣	638c	-4
Platinum (per troy oz)	$518.5	+6.0
Palladium (per troy oz)	$120.75	
Aluminium (free market)	$2265	-20
Copper (US Producer)	128⅝-31¼c	+1
Lead (US Producer)	39c	
Nickel (free market)	530c	
Tin (European free market)	£4230.0	-7.5
Tin (Kuala Lumpur market)	19.3r	
Tin (New York)	337.50c	+0.75
Zinc (Euro. Prod. Price)	$1350.0	
Zinc (US Prime Western)	68⅞c	
Cattle (live weight)†	110.28p	-0.26*
Sheep (dead weight)†	146.31p	-0.43*
Pigs (live weight)†	72.92p	+1.53*
London daily sugar (raw)	$247.6x	-3.4
London daily sugar (white)	$253x	-5
Tate and Lyle export price	£252.5	-3.0
Barley (English feed)	£110z	
Maize (US No. 3 yellow)	£127v	
Wheat (US Dark Northern)	£122.5z	-1.0
Rubber (spot)♥	57.00p	+1.25
Rubber (Nov)♥	63.50p	+0.50
Rubber (Dec) ♥	64.00p	+0.50
Rubber (KL RSS No 1 Nov)	283m	-3
Coconut oil (Philippines)§	$550x	
Palm Oil (Malaysian)§	$427.5	
Copra (Philippines)§	$380	-5
Soyabeans (US)	$193.5	-1.0
Cotton "A" index	58.10c	+1.05
Wooltops (64s Super)	575p	+3

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Nov. x-Oct/Nov. w-Nov/Dec. v-Oct/Dec. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne	Close	Previous	High/Low
Dec	765	807	800 757
Mar	772	803	800 765
May	784	815	812 780
Jul	795	829	822 788
Sep	802	842	835 796
Dec	840	863	873 833
Mar	866	900	890 866

Turnover: 7272 (6099) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Oct 7: 996.13 (974.30) :10 day average for Oct 10: 936.87 (933.17) .

COFFEE £/tonne	Close	Previous	High/Low
Nov	1169	1161	1172 1163
Jan	1164	1153	1169 1157
Mar	1155	1140	1155 1147
May	1152	1132	1150 1140
Jly	1140	1129	1138 1135
Sep	1141	1135	1136 1135
Nov	1132	1134	

Turnover: 2329 (1432) lots of 5 tonnes
ICCO indicator prices (US cents per pound) for Oct 10: Comp. daily 113.55 (112.30); . 15 day average 115.22 (115.08).

SUGAR ($ per tonne)			
Raw	Close	Previous	High/Low
Dec	221.00	217.00	
Mar	211.80	209.60	211.80 207.80
May	208.40	207.00	208.20 204.80
Aug	206.40	205.00	204.60 204.00
Oct	205.00	204.00	214.60 203.00
Dec	206.00	204.00	
White	Close	Previous	High/Low
Dec	251.50	249.00	249.00 248.00
Mar	244.00	242.00	250.00 240.00
May	244.50	242.00	248.00 240.50
Aug	245.00	243.50	248.00 244.50
Oct	243.00	242.00	242.50 241.00
Dec	243.00	242.00	
Mar	243.00	242.50	241.00

Turnover: Raw 2338 (1070) lots of 50 tonnes. White 2147 (1371).
Paris- White (FFr per tonne): Dec 1565, Mar 1512, May 1510, Aug 1517, Oct 1517, Dec 1517

GAS OIL $/tonne	Close	Previous	High/Low
Nov	111.75	110.50	113.50 109.50
Dec	113.75	113.00	115.50 112.00
Jan	114.25	114.00	116.25 113.25
Feb	115.00	113.50	116.00 114.00
Mar	113.75	112.00	114.50 113.00
Apr	113.00	110.50	

Turnover 7000 (8186) lots of 100 tonnes

GRAINS £/tonne			
Wheat	Close	Previous	High/Low
Nov	107.40	107.40	107.75 107.40
Jan	110.60	110.50	110.90 110.50
Mar	113.35	113.35	113.75 113.35
May	116.45	116.35	116.85 116.45
Jun	117.85	117.50	117.85
Sep	102.25	102.25	102.25
Nov	105.00	105.00	105.00
Barley	Close	Previous	High/Low
Nov	105.10	105.25	105.30 105.10
Jan	108.40	108.45	108.50 108.40
Mar	110.50	110.60	112.25 110.50
May	112.25	112.35	112.25
Sep	99.15	99.15	99.15
Nov	101.75	101.75	101.75

Turnover: Wheat 252 (141) , Barley 98 (19) .
Turnover lots of 100 tonnes.

LONDON METAL EXCHANGE	Close	Previous	High/Low	AM Official	Kerb close	Open interest
(Prices supplied by Amalgamated Metal Trading)						
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 7,075 tonne
Cash	2270-5	2260-90	2285	2260-5		
3 months	2215-20	2220-1	2230/2180	2210-2	2230-5	15,958 lots
Aluminium,99.5% purity (£ per tonne)						Ring turnover 5,200 tonne
Cash	1295-8	1310-20	1298	1298-300		
Dec. 21	1260-70	1270-80	1265/1260	1263-5	1261-71	33,548 lots
Copper, Grade A (£ per tonne)						Ring turnover 19,700 tonne
Cash	1612-4	1606-8	1602/1601	1600-1		
3 months	1537-8	1522-3	1546/1515	1524-5	1546-7	64,169 lots
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	1565-75	1575-85		1550-60		
Jan. 4	1605-15	1605-15		1490-500		35 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	625-8	632-5		628-9		
3 months	638-40	645-8		642-4		436 lots
Lead (£ per tonne)						Ring turnover 4,275 tonne
Cash	373-5	376-8		375-6		
3 months	376-7	376-7	377/374	376-6.5	376-7	10,839 lots
Nickel ($ per tonne)						Ring turnover 720 tonne
Cash	11600-700	11400-50	11600/11500	11550-600		
3 months	10300-400	10200-50	10550/10300	10300-50	10450-500	5,960 lots
Zinc ($ per tonne)						Ring turnover 13,900 tonne
Cash	1490-5	1460-70	1495/1490	1493-5		
3 months	1373-5	1340-5	1378/1330	1365-7	1365-70	16,793 lots

POTATOES £/tonne	Close	Previous	High/Low
Nov	61.0	58.0	
Feb	72.5	71.0	
Apr	94.7	94.7	94.6 93.6
May	105.0	105.5	104.5
Nov	83.0	83.0	

Turnover 107 (203) lots of 40 tonnes.

SOYABEAN MEAL £/tonne	Close	Previous	High/Low
Dec	179.50	180.30	179.50 178.50
Feb	185.50	186.00	
Apr	185.50	186.00	
Jun	177.50	177.00	
Aug	173.00	173.00	

Turnover 59 (130) lots of 20 tonnes.

FREIGHT FUTURES $10/index point	Close	Previous	High/Low
Oct	1342	1350	1354 1342
Nov	1400	1420	1425 1398
Jan	1456	1462	1467 1455
Apr	1515	1519	1523 1515
Jul	1323	1318	1323
BFI	1294	1292	

Turnover 290 (283)

COTTON
Liverpool- Spot and shipment sales for the week ended October 7 amounted to 160 tonnes against 80 tonnes in the previous week. Slow trading persisted with dealings in Spanish, Chinese and Turkish styles.

JUTE
C and f Dundee BTC $490, BWC $460, BTD $430, BWD $420; c and f Antwerp BTC $485, BWC $456, BWD $406, BTD $415.

LONDON BULLION MARKET		
Gold (fine oz)	$ price	£ equivalent
Close	406-406½	236¼-236¾
Opening	410-410½	238½-239
Morning fix	408	237.278
Afternoon fix	407.25	236.911
Day's high	410-410½	
Day's low	405¼-405¾	

Coins	$ price	£ equivalent
Mapleleaf	418-423	243-246
Britannia	418-423	243-246
US Eagle	418-423	243-246
Angel	418-423	243-246
Krugerrand	405-408	235½-237½
New Sov.	95½-98½	55½-58¼
Old Sov.	95½-98½	55½-58¼
Noble Plat	532.5-538.7	310-313.6

Silver fix	p/fine oz	US cts equiv
Spot	368.65	633.50
3 months	379.75	647.40
6 months	390.40	661.05
12 months	410.40	688.10

LONDON METAL EXCHANGE TRADED OPTIONS				
Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Nov	Jan	Nov	Jan
2150	182	173	28	114
2250	89	126	64	165
2350	46	89	120	226
Copper (Grade A)	Calls		Puts	
2550	227	181	19	135
2700	122	116	62	217
2850	53	71	143	318

US MARKETS

IN THE PRECIOUS metals, gold and silver prices fell as the previous days rally, seemed to be overdone, reports Drexel Burnham Lambert. Gold lost 4.3 dollars and silver 14 cents. Copper had a choppy day with prices selling off early in the day, only to close up 150 points. In the softs, cocoa was the days most active market. News came out about larger than expected Ivory Coast estimates. With that news, prices sank over 70 points. Volume exceeded 7,600 for the day. Sugar prices rallied late in the day as some short covering was featured. Coffee trading was quiet. In light volume, meat prices were mixed. Like cattle and hogs fell slightly, pork bellies rose 35 as a slight correction was seen. The grain markets were steady for most the day awaiting Wednesday's crop report. Wheat futures posted the largest gain as tender activity remains plentiful. After a hectic Monday, crude oil prices saw some consolidation weakening slightly.

New York

GOLD 100 troy oz; $/troy oz.	Close	Previous	High/Low	
Oct	404.4	408.5	408.5	404.7
Nov	406.1	410.4	0	0
Dec	408.4	412.7	412.5	407.9
Feb	413.5	417.9	417.5	412.5
Apr	418.7	423.0	422.8	418.5
Jun	423.9	428.3	428.1	423.0
Aug	429.2	433.6	0	0
Oct	434.7	439.0	0	0
Dec	440.0	444.3	444.5	440.5

PLATINUM 50 troy oz; $/troy oz.	Close	Previous	High/Low	
Oct	513.1	503.4	521.0	512.0
Jan	516.1	517.4	518.0	507.5
Apr	513.5	521.4	521.0	512.0
Jul	518.3	526.4	524.7	516.5
Oct	524.3	531.2	0	0

SILVER 5,000 troy oz; cents/troy oz.	Close	Previous	High/Low	
Oct	630.0	634.2	637.0	627.0
Nov	633.0	637.5	0	0
Dec	637.2	651.3	642.0	628.0
Jan	632.4	647.0	0	0
Mar	642.1	656.6	650.0	642.0
May	651.5	665.8	656.5	650.0
Jul	662.1	677.2	668.0	660.0
Sep	672.5	687.2	0	0
Dec	687.9	702.5	700.0	687.0
Jan	692.8	707.5	0	0

COPPER 25,000 lbs; cents/lbs	Close	Previous	High/Low	
Oct	129.50	128.00	129.50	128.50
Nov	123.80	122.30	0	0
Dec	120.10	118.90	120.80	117.10
Jan	116.20	114.30	116.00	116.00
Mar	107.20	105.80	108.00	104.75
May	102.80	101.40	102.50	100.80
Jul	98.70	98.30	99.20	97.00
Sep	98.20	96.80	0	0
Dec	95.70	95.30	96.10	96.10

CRUDE OIL (Light) 42,000 US galls $/barrel	Latest	Previous	High/Low	
Nov	13.60	13.60	13.74	13.30
Dec	13.21	13.29	13.45	13.05
Jan	13.12	13.20	13.35	12.96
Mar	13.14	13.24	13.35	13.10
Apr	13.30	13.29	13.40	13.18
Jun	13.50	13.30	13.60	13.24
Aug	13.66	13.49	13.66	13.66

HEATING OIL 42,000 US galls, cents/US galls	Latest	Previous	High/Low	
Nov	3920	3886	3955	3840
Dec	3964	3935	4000	3875
Jan	4055	4040	4085	3985
Feb	4030	4000	4050	4000
Mar	3805	3880	3925	3800
Apr	3790	3765	3790	3730
May	3670	3710	3750	3650
Jul	3655	3625	3675	3665
Aug	3710	3676	3670	3670

COCOA 10 tonnes;$/tonnes	Close	Previous	High/Low	
Dec	1216	1290	1277	1208
Mar	1213	1274	1259	1208
May	1223	1285	1276	1220
Jul	1263	1314	1300	1262
Sep	1276	1335	1285	1272
Dec	1301	1356	1315	1315
Mar	1331	1375	1330	1330

COFFEE "C" 37,500lbs; cents/lbs	Close	Previous	High/Low	
Dec	124.63	124.77	124.90	123.75
Mar	125.85	125.88	126.00	124.90
May	126.30	126.40	126.65	125.70
Jul	126.50	126.18	126.50	125.20
Sep	126.50	126.50	0	0
Dec	126.50	127.00	0	0
Mar	126.00	126.75	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs	Close	Previous	High/Low	
Jan	8.80	8.76	8.88	8.80
Mar	9.33	9.21	9.34	9.10
May	9.22	9.07	9.15	8.95
Jul	9.15	8.91	9.08	8.84
Oct	8.98	8.87	8.86	8.75
Mar	8.60	8.55	8.60	8.60
May	8.55	8.40	0	0

COTTON 50,000; cents/lbs	Close	Previous	High/Low	
Dec	54.56	54.28	54.65	53.76
Mar	54.86	54.68	54.97	53.60
May	54.90	54.85	54.90	53.95
Jul	54.90	54.95	54.95	54.75
Oct	54.60	54.15	54.50	54.45
Dec	54.35	53.95	54.15	54.00
Mar	54.80	54.50	55.00	54.80

ORANGE JUICE 15,000 lbs; cents/lbs	Close	Previous	High/Low	
Nov	181.50	179.60	181.70	179.75
Jan	175.40	171.50	173.40	171.30
Mar	170.00	168.80	170.00	168.00
May	168.75	167.15	169.00	167.00
Jul	168.45	166.15	168.40	166.40

INDICES				
REUTERS (Base: September 18 1931 = 100)				
	Oct 10	Oct 7	mnth ago	yr ago
	1865.9	1866.4	1874.0	1660.5
DOW JONES (Base: Dec. 31 1974 = 100)				
Spot	132.91	132.40	134.11	127.29
Futures	137.45	136.55	137.76	133.09

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel	Close	Previous	High/Low	
Nov	793/4	791/6	797/0	789/0
Jan	805/6	804/4	809/4	801/4
Mar	814/2	810/4	816/6	809/4
May	814/2	812/0	816/2	809/0
Jul	809/6	804/6	811/4	805/0
Aug	790/0	793/0	792/0	794/0
Sep	749/0	745/0	750/0	745/0
Nov	718/4	717/4	723/0	717/4

SOYABEAN OIL 60,000 lbs; cents/lb	Close	Previous	High/Low	
Oct	23.67	23.50	23.72	23.43
Dec	24.04	23.86	24.14	23.80
Jan	24.31	24.11	24.39	24.08
Mar	24.82	24.57	24.85	24.55
May	25.25	25.05	25.25	25.00
Jul	25.40	25.30	25.50	25.20
Aug	25.40	25.05	25.50	25.40
Sep	25.45	25.25	25.50	25.40

SOYABEAN MEAL 100 tons; $/ton	Close	Previous	High/Low	
Oct	253.0	253.1	256.0	252.5
Dec	255.6	255.2	257.7	253.5
Jan	255.3	253.0	256.0	253.0
Mar	252.5	252.2	254.0	251.0
May	248.5	248.7	250.0	246.0
Jul	242.2	243.5	245.5	241.5
Aug	238.0	238.0	237.0	234.0
Sep	235.0	235.0	238.0	235.0

MAIZE 5,000 bu min; cents/56lb bushel	Close	Previous	High/Low	
Dec	285/0	285/2	288/4	283/2
Mar	296/2	297/0	299/4	296/0
May	299/4	299/4	302/4	298/0
Jul	298/6	298/4	301/0	297/6
Sep	271/4	272/4	273/4	272/0
Dec	257/0	256/0	258/4	256/0
Mar	262/4	262/4	264/4	261/4

WHEAT 5,000 bu min; cents/60lb-bushel	Close	Previous	High/Low	
Dec	424/2	427/4	434/4	422/2
Mar	437/0	432/0	437/2	427/0
May	406/4	403/0	409/0	401/4
Jul	370/0	369/6	373/0	366/0
Sep	376/0	372/4	376/0	374/0
Dec	390/0	388/0	389/0	389/0

LIVE CATTLE 40,000 lbs; cents/lbs	Close	Previous	High/Low	
Oct	72.85	72.47	72.97	72.55
Dec	74.75	74.37	74.82	74.35
Feb	75.60	74.97	75.67	75.00
Apr	76.05	75.37	76.15	75.40
Jun	74.90	74.27	74.95	74.30
Aug	71.65	71.85	72.00	71.80
Oct	71.50	71.50	0	0
Dec	70.75	71.12	71.25	70.75

LIVE HOGS 30,000 lb; cents/lb	Close	Previous	High/Low	
Oct	40.20	40.42	40.55	40.00
Dec	41.77	41.85	42.10	41.55
Feb	44.55	44.62	44.85	44.50
Apr	44.05	44.27	44.40	43.95
Jun	48.40	48.40	48.55	48.25
Jul	48.77	48.90	49.05	48.65
Aug	47.60	47.70	47.80	47.55
Oct	44.25	45.05	44.60	44.20

PORK BELLIES 38,000 lbs; cents/lb	Close	Previous	High/Low	
Feb	48.00	47.65	48.05	47.35
Mar	48.15	48.12	48.25	47.90
May	49.40	49.65	49.80	49.35
Jul	50.75	50.35	50.80	50.00
Aug	48.20	49.12	49.40	48.70

WORLD STOCK MARKETS

AUSTRIA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | FRANCE (continued) | GERMANY | GERMANY (continued) | ITALY | ITALY (continued) | NETHERLANDS | NORWAY | SPAIN | SWEDEN | SWITZERLAND | SOUTH AFRICA | AUSTRALIA | AUSTRALIA (continued) | HONG KONG | SINGAPORE | JAPAN

[illegible]

CANADA

TORONTO

2pm prices October 11

[illegible]

†—No voting rights or restricted voting rights.

INDICES

NEW YORK — DOW JONES

	Oct 11	Oct 10	Oct 7	Oct 6	1988 High	1988 Low	Since compilation High	Since compilation Low
♦Industrials	2156.47	2158.95	2150.25	2107.75	2158.95 (10/10)	1879.14 (20/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	90.07	90.22	89.94	89.78	91.25 (3/3)	86.12 (4/1)	—	—
Transport	924.47	924.03	929.06	914.43	929.06 (7/10)	737.57 (21/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	185.75	186.58	187.47	183.68	190.02 (29/1)	167.26 (20/4)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2164.83 (2167.85) Low 2137.09 (2139.05)

STANDARD AND POOR'S	Oct 11	Oct 10	Oct 7	Oct 6	1988 High	1988 Low	Since compilation High	Since compilation Low
Composite ‡	277.93	278.24	278.07	272.39	278.24 (10/10)	242.63 (20/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrials (latest)	319.66	319.72	319.17	312.66	319.72 (10/10)	277.86 (20/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financials	26.20	26.37	26.36	25.84	26.37 (10/10)	21.51 (8/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	156.77	156.96	156.81	153.93	156.96 (10/10)	136.72 (20/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	303.77	304.09	303.82	301.14	309.33 (10/6)	262.76 (12/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	385.28	385.49	385.67	385.15	394.77 (18/7)	331.97 (12/1)	455.28 (26/8/87)	54.87 (31/10/72)

	Oct 7	Sep 30	Sep 23	year ago (approx.)
Dow Industrial Div. Yield	3.60	3.66	3.70	2.78
	Oct 5	Sep 28	Sep 21	year ago (approx.)
S & P Industrial div. yield	3.18	3.21	3.19	2.40
S & P P/E ratio	13.13	12.98	13.03	23.20

TRADING ACTIVITY † Volume Millions

	Oct 11	Oct 10	Oct 7
New York	140.900	125.668	216.390
Amex	8.168	7.541	11.346
OTC	(u)	96.826	154.922

NEW YORK	Oct 11	Oct 10	Oct 7
Issues Traded	1,926	1,892	1,941
Rises	592	680	1,135
Falls	805	710	389
Unchanged	529	502	417
New Highs	31	49	42
New Lows	16	13	26

CANADA

TORONTO	Oct 11	Oct 10	Oct 7	Oct 6	1988 High	1988 Low
Metals & Minerals	2889.8	(c)	2913.7	2891.9	3226.5 (5/7)	2238.7 (8/2)
Composite	3390.7	(c)	3398.4	3343.1	3465.4 (5/7)	2977.9 (8/2)
MONTREAL Portfolio	1690.22	(c)	1694.87	1661.39	1723.71 (5/7)	1305.06 (27/1)

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Kroger	5,655,700	55	−2⅝	Pillsbury	1,872,100	56¼	−⅝
Kroger Wi	4,798,600	8¼	−1⅝	Best Prod	1,750,500	26¼	−½
Tenneco	2,971,000	49⅛	−⅝	IBM	1,601,100	118⅝	+2⅝
Phillips Pet	2,688,800	20⅝	+½	Advanced Micro	1,576,400	9¼	+⅝
Baxter Intl	2,683,300	18⅞	+⅛	Nat Semiconductor	1,370,900	10⅞	+⅞

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals — 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 industrials plus 40 utilities, 40 Financials and 20 transports. (c) Closed. (u) Unavailable.

WORLD INDICES

	Oct. 11	Oct. 10	Oct. 7	Oct. 6	1988 High	1988 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1543.5	1534.6	1525.8	1516.3	1657.8 (9/8)	1170.7 (10/2)
All Mining (1/1/80)	722.4	710.1	704.8	691.9	847.8 (9/8)	532.4 (10/2)
AUSTRIA						
Credit Aktien (30/12/84)	206.50	205.90	204.70	205.48	206.50 (11/10)	163.98 (11/2)
BELGIUM						
Brussels SE (1/1/84)	5340.00	5338.70	5326.20	5331.94	5340.00 (11/10)	3608.35 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	(u)	235.51	233.93	233.66	235.51 (10/10)	180.68 (4/1)
FINLAND						
Unitas General (1975)	674.7	671.7	676.5	680.6	772.1 (8/8)	530.6 (15/1)
FRANCE						
CAC General (31/12/82)	383.2	384.9	382.6	382.0	384.9 (10/10)	251.3 (29/1)
Ind. Tendance (31/12/87)	145.4	148.2	147.8	147.7	148.4 (5/10)	89.7 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	525.93	529.13	522.57	519.54	529.13 (10/10)	396.40 (29/1)
Commerzbank (1/12/53)	1592.90	1602.80	1582.20	1573.40	1602.80 (10/10)	1207.9 (29/1)
DAX (30/12/87)	1271.31	1286.93	1269.36	1261.63	1286.93 (10/10)	931.18 (28/1)
HONG KONG						
Hang Seng Bank (31/7/64)	2571.61	2566.42	2478.87	2427.04	2772.53 (12/7)	2223.56 (8/2)
ITALY						
Banca Com. Ital. (1972)	564.89	557.17	558.35	558.47	564.89 (11/10)	423.91 (9/2)
JAPAN**						
Nikkei (16/5/49)	27469.60	(c)	27258.27	27172.34	28423.38 (5/8)	21217.04 (4/1)
Tokyo SE (Topix) (4/1/68)	2113.97	(c)	2101.95	2096.76	2253.10 (2/8)	1690.44 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	281.2	281.5	277.4	276.10	284.8 (9/8)	205.7 (4/1)
ANP-CBS Industrial (1970)	246.5	248.2	245.8	244.0	248.2 (10/10)	157.9 (11/1)
NORWAY						
Oslo SE (4/1/83)	395.13	394.46	393.48	392.09	423.64 (21/7)	327.78 (28/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1018.54	1015.90	1003.27	997.74	1177.87 (8/8)	833.60 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1368.0♦	(c)	1339.0	1317.0	1451.0 (7/7)	1154.8 (4/5)
JSE Industrial (28/9/78)	1788.0♦	(c)	1759.0	1742.0	1788.0 (11/10)	1387.0 (12/2)
SPAIN						
Madrid SE (30/12/85)	285.09	284.54	282.79	282.32	301.63 (15/6)	225.50 (4/1)
SWEDEN						
Jacobson & P. (31/12/56)	3177.70	3200.30	3168.70	3161.90	3200.30 (10/10)	2148.5 (4/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	576.40	576.40	573.40	568.50	576.40 (10/10)	466.6 (13/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	451.2	448.6	443.9	465.2 (15/6)	401.0 (21/1)

**Saturday Oct. 8: Japan Nikkei (c) and TSE (c)

♦ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

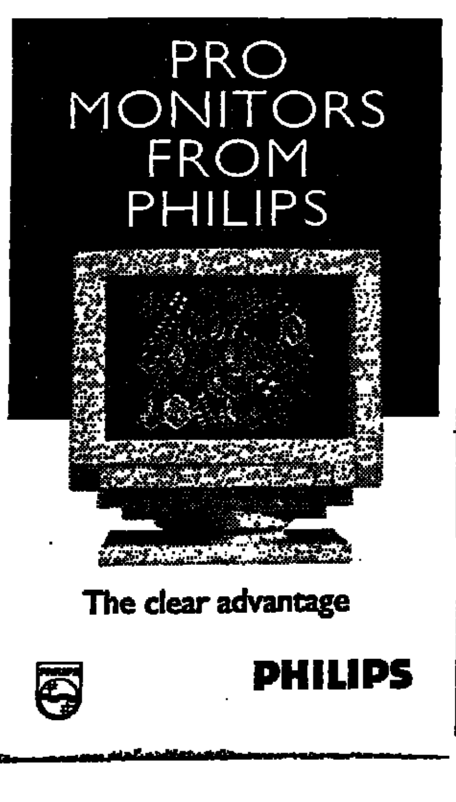
TOKYO - Most Active Stocks
Tuesday 11 October 1988

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Sumitomo Metal	48.1m	740	+8	Nippon Mining	24.9m	731	+25
Japan Line	45.4m	424	+39	Nippon Yakin	21.3m	1,030	+70
Osaka Gas	44.4m	784	+24	Keisei Railways	19.4m	3,090	+200
Nippon Steel	40.0m	784	+18	NKK	17.1m	773	+6
Kawasaki Steel	34.9m	900	+11	Mitsubishi Heavy	15.5m	975	uch

4pm prices October 11

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
27⅞	14	AAR s	.36	1.4	16	74	26	25½	25½	– ½
10⅛	9⅝	ACM n				25	9¾	9¾	9¾	
12⅛	9¼	ACMIn	1.26a	11.		641	11⅛	11	11⅛	+ ⅛
12⅛	10⅝	ACMSc	n1.26	11.		1250	11	10⅞	11	
10⅛	8⅞	ACMSp	n1.01	11.		177	9⅛	9⅛	9⅛	+ ⅛
7⅛	2⅝	AMCA				3	3⅞	3⅞	3⅞	
7⅛	3¼	AM Ind				1300	5⅝	5⅝	5⅝	– ⅛
28	17	AM Int pf	2	8.8		385	22⅞	22¾	22¾	+ ¼
53⅝	28¼	AMR			10	2731	48⅝	48	48	– ⅝
10	5¼	ARX			11	179	7	6⅞	7	
70½	35¼	ASA	3	7.6		474	39¾	39⅛	39½	
20¼	9½	AVX	.12e	.6	12	x111	19	18¾	18⅞	– ¼
58⅝	40	AbtLab	1.20	2.6	15	4127	47	45⅞	47	+ ½
26	15⅛	Abitibi g	1			22	16⅞	16⅝	16¾	– ¼
15⅝	8½	AcmeC	.40	4.4		16	9	8⅞	9	
9⅛	6⅝	AcmeE	.32b	4.7	40	46	6⅞	6¾	6⅞	
18¾	14⅛	AdaEx	3.05e	19.		149	15⅞	15⅝	15⅞	+ ⅛
19¾	6⅞	AdamMl	.24	1.5	16	10	16½	16½	16½	– ⅛
20¼	7½	AMD			17	15764	9¾	8¾	9¼	+ ⅝
51⅝	29¼	AMD pf	3	9.5		8	31½	31½	31½	
8⅞	4⅝	Adobe				77	7⅝	7½	7½	– ⅛
19⅝	16¼	Adob pf	1.84	11.		9	17½	17¼	17½	+ ½
21¾	17½	Adob pf	2.40	11.		22	21	20⅝	21	+ ¼
11⅛	5⅞	Advest	.12	1.5	15	138	8⅛	7⅞	8⅛	
61½	39½	AetnLf	2.76	5.3	8	1381	51⅞	51½	51⅞	+ ⅛
34¼	20½	AflPb s	.20	.7		165	29⅝	29	29	– ½



Continued on Page 49

NYSE COMPOSITE PRICES

Continued from previous Page

AMEX COMPOSITE PRICES

4pm prices October 11

OVER-THE-COUNTER

Nasdaq national market, 3pm prices October 11

FINANCIAL TIMES Wednesday October 12 1988

AMERICA

Profit-taking and dollar's decline lead to small loss

Wall Street

THE Dow Jones Industrial Average soon retreated yesterday from the new post-October crash closing high it had reached on Monday by a whisker, *writes Janet Bush in New York.*

The index dropped nearly 20 points at one stage but then clawed back most of those losses during the afternoon. Volume was only modest at 140m shares traded.

At the close, the Dow stood 2.49 points lower at 2,156.47. On Monday, it had closed at 2,158.96 which compared with the previous post-crash high of 2,158.61 on July 5.

The stock market faces a number of challenges this week. Firstly, whenever the Dow Jones Industrial Average has touched post-crash peaks, investors have quickly taken profits and this seems to be happening again.

Secondly, equities are being undermined by weakness in the dollar amid nervousness about tomorrow's publication of US trade figures for August. Expectations are that the deficit will have widened from July's $9.5bn shortfall.

The dollar selling was partly related to a surge in sterling on the statement by Mr Nigel Lawson, British Chancellor of the Exchequer, that he would lift interest rates if the pound fell. However, there also appeared to be some follow-through weakness in the dollar in reaction to last Friday's smaller-than-expected rise in the US non-farm payroll which was seen as providing evidence of a deceleration in economic growth.

Following tomorrow's trade report, Friday sees the publication of September figures for producer prices, retail sales and industrial production. Last Friday's employment figures undermined widespread expectations that the economy would rebound from August's slower performance.

The equity market is also getting geared up for the string of third quarter earnings announcements coming in the next few weeks. There is a high degree of nervousness that earnings will prove disappointing, and the technology sector has already been undermined by predictions of lower-than-expected earnings.

Among featured stocks was Tenneco, which was one of the most actively traded shares on the New York Stock Exchange after the announcement that it is selling its oil and gas interests in the Gulf of Mexico to Chevron for $2.6bn. Its share price first added another $⅞ but then fell back sharply to close $⅜ lower at $49⅛.

Digital Equipment rose $1⅛ to $89⅞ after the company announced that it had raised prices on most of its products by 6 per cent to 9 per cent.

Reversing some of their recent weakness, technology stocks generally did well. International Business Machines added $2⅛ to $118⅜, Motorola gained $1⅛ to $42⅝ and National Semiconductor gained $⅜ to $10⅜.

Tambrands added $1⅛ to $56 after news that the company had formed a joint venture with the Health Department of the Moscow City Council to produce Tampax tampons.

Kroger fell $2⅝ to $55 after Kohlberg Kravis Roberts announced that it was withdrawing its $64-a-share bid for the company. The Haft family which controls the Dart Group has also made a bid for Kroger at $55 a share.

Kimberley-Clark jumped $2⅝ to $64⅞ apparently on continuing rumours that Mr Ronald Perelman of Revlon Group may be interested in buying the company.

V.F. Corp jumped $1⅞ to $33⅛. The stock rallied on rumours that investor Mr Asher Edelman may be interested in buying the company, and held on to its gains in spite of a denial from Mr Edelman.

Canada

FALLING base metals and industrials pushed Toronto slightly down in quiet trading.

The composite index lost 7.7 to 3,390.7 as declines outpaced advances by 386 to 376 on light turnover of 21.4m shares.

Oil sector's confidence survives instability

The unsteady price of crude has shaken but not harmed shares, writes Steven Butler

OIL prices are weak again, and have unsettled the shares of the leading international oil companies.

However, the market has evidently learned the lesson of the oil price collapse of 1986 – that the big integrated oil companies are highly resilient in the face of weak crude prices – and this has given the shares, so far, a relatively soft landing.

The fall in oil prices has not dimmed the companies' view of the future, either, and this means that oil and gas assets have continued to command a high price.

The leading oil companies are resilient because so much of their operating profits come from refining and marketing of oil and chemicals manufacturing. When oil prices are weak and profits from production fall, they tend to rise in other areas of the business.

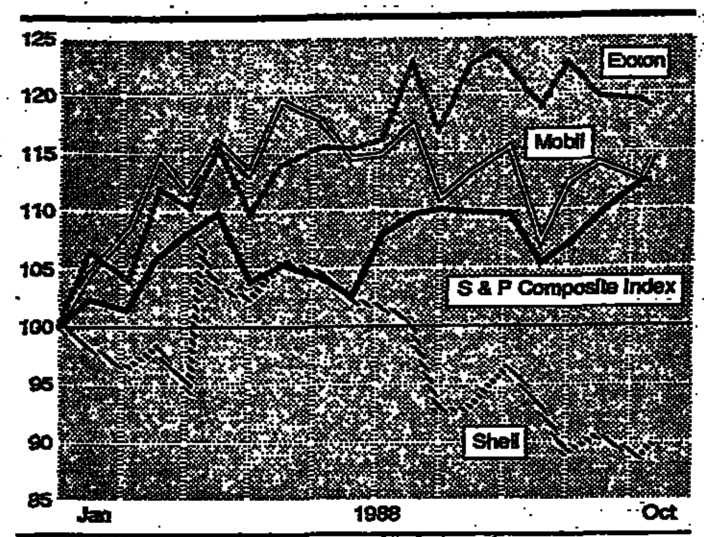
Falling oil prices are, nonetheless, still bad news for the sector, and the patience of investors may yet be put to a severe test. Most analysts are working into their models assumptions that North Sea Brent crude will average about $15 a barrel in 1989 (against about $12 currently) and roughly the same, or somewhat less, next year – a scenario that would probably produce flat earnings.

Oil markets, however, are currently flooded by excess production. If the Organisation of Petroleum Exporting Countries does not act to reduce supplies, companies could yet be in for a nasty shock.

That shock would be felt differently in boardrooms across Europe and the US.

Exxon and Royal Dutch/Shell, which are in fierce competition to be the world's biggest oil company – Shell seems to have gained considerable ground – are also the more secure groups. Both are blessed with relatively low-cost production and highly profitable downstream and chemicals operations.

Exxon, however, has been the star performer of the two in the stock market – and, indeed, of all the majors, with the exception of Texaco, shares in which received a substantial boost when it came out of bankruptcy proceedings.



Exxon's market performance has been underpinned by the company's policy of buying its own shares. This programme was useful during the market crash last year, helping to limit the downside.

There must be a question, however, about how long the relative outperformance of Exxon can continue, given the broadly similar underlying characteristics of rival Royal Dutch/Shell.

Both are rich in cash, with a strong, reliable cash flow that makes good annual dividend payments as certain as they can be. The Exxon yield is currently running at 5 per cent, while Shell Transport and Trade come to not 6 per cent.

With downside protection, however, neither company offers much in the way of exciting upside potential and most analysts see them at best as a safe haven if stock markets are weak.

This observation holds, to varying degrees, with all the principal companies. Mobil and Chevron are relatively resilient, while BP and Texaco stand to be hurt most by any sustained drop in price because of their relatively high-cost oil production.

Looking beyond the majors, one of the lessons of this week's $7.3bn auction of oil assets by Tenneco is that the smaller, independent oil companies are likely to continue holding value. Their shares have been significantly higher in London following the spate of takeovers that has occurred since BP launched its bid for Britoil nearly a year ago.

ASIA PACIFIC

Nikkei makes strong gain but volume remains weak

Tokyo

OVERNIGHT improvement on Wall Street helped Tokyo share prices rebound after a long weekend, but volume was disappointingly low, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average, which closed higher for the first time this month on Friday, posted a strong gain of 211.33 yesterday to 27,469.60. The high of the day was 27,579.96 and the low 27,293.47. The TSE index of all listed stocks rose 12.02 to 2,113.97.

Volume, however, remained thin at 653m shares, compared with 503m shares on Friday.

In London, Japanese shares fell slightly, as the ISE/Nikkei 50 index lost 0.73 to 1,755.97.

The upward move in Tokyo encouraged some analysts to predict that the market was finally ready for its long-awaited autumn rally. Losses incurred at the beginning of the month should be recovered fairly quickly, said an analyst at Nikko Securities.

However, the weakness in trading volume led others to be more cautious. Yesterday's gains were concentrated in the first half hour of trading and buying interest was not spread widely, Mr Stephen Richardson of W.I. Carr pointed out. The strong yen, which helped to strengthen the bond market, had not led to a genuine rally on greater volume, he added.

Investor interest focused on stocks such as large capitals, which are sensitive to lower oil prices and stable interest rates. Nippon Steel added Y18 to Y784, Kawasaki Steel rose Y11 to Y900, NKK gained Y6 to Y773 and Sumitomo Metal, the most heavily traded issue with 48.1m shares, advanced Y8 to Y740. Shipping companies also attracted strong buying interest. Japan Line, the second most actively traded issue at 45.4m shares, advanced Y39 to Y424.

Utility companies, which have gained recently on lower oil prices as well as their property assets, were further helped by the strong yen. Tokyo Electric Power added Y110 to Y6,240 and Tokyo Gas Y20 to Y1,380, while Osaka Gas, third in the active league with 44.4m shares, increased Y24 to Y764.

Issues with specific incentives remained popular. Keisei Electric Railways has been bought on speculation that its subsidiary, Oriental Land, will be publicly listed in the near future. Keisei rose Y200 to match its high of Y3,090, reached on August 24.

The share price of NTT has been declining steadily prior to the release of a third batch of the company's shares on October 20-21. The price of the third release will be set at 3.5 per cent less than the October 19 closing on the TSE, so a lower price is expected to encourage more buying in the huge issue. NTT closed at a year low of Y2m, down Y50,000.

Trading in Osaka also took encouragement from Wall Street and the OSE average increased 181 to 25,624.63. Volume was slightly better at 52m compared with 34m on Friday.

Roundup

BIGGER markets in the region were firm in line with strength on Wall Street and in Tokyo. Hong Kong's strong two-day advance slowed down.

HONG KONG investors consolidated their positions after rallies in the past two sessions. The Hang Seng index finished 5.19 higher at 2,571.61. Turnover totalled HK$1.04bn against Monday's HK$1.18bn.

Blue chips were most active and there was buying interest in undervalued stocks, following a spree of privatisation proposals for listed companies including Bond International, Li and Fung, and Nan Fung Textiles.

Sun Hung Kai Properties saw profit-taking after denying it would privatise affiliate New Town. Sun Hung Kai eased 10 cents to HK$11.40 and New Town was unchanged at HK$5.70.

IBI Asia suspended trading and brokers linked it with a possible takeover by First Pacific. IBI rose 1.3 cents to 14.3 cents, while First Pacific was up 3 cents at HK$1.28.

AUSTRALIA closed higher in light trade as the market was supported by strong gains in the gold and resources sectors. The All Ordinaries index was up 8.9 at 1,543.5 but off the day's high of 1546.2, in turnover of 97m shares worth A$142m.

ACM saw huge turnover of 5.8m shares. Investors were shuffling their interests into the newly-created gold arm, ACM-Gold, which expects to increase production significantly by 1991. ACM dropped A$1.45 to A$1.35 and ACM-Gold picked up A$1.40 to A$1.60.

SINGAPORE pushed higher in early trading, helped by strength in New York and Tokyo, but came off later to end only slightly ahead in a generally quiet session. The Straits Times industrial index was up 2.64 at 1,018.54 in volume of 19.6m shares, slightly better than Monday's 17.8m.

TAIWAN came back from Monday's holiday to pursue its downward course. The weighted index lost 169.03 to 6,899.91 in thin turnover, with 108 stocks suffering maximum permissible losses of 3 per cent.

The index has fallen 1,889.87, or 21.5 per cent, since its record high on September 24.

EUROPE

Frankfurt and Paris take 'healthy' breather

A GENERALLY easier tone permeated European bourses yesterday in a breather from recent solid gains. Milan went against the trend again, rising in expectation of imminent political reforms, *writes Our Markets Staff.*

FRANKFURT ran into a bout of profit-taking after its strong run to new 1988 highs. Trading was very active at DM4.74bn after Monday's DM3.58bn. The FAZ index shed 3.2 to 525.93 and the real time DAX index ended 15.62 lower at 1,271.31.

The market started firmly following Wall Street's rise to a post-crash high overnight. But it failed to attract follow-through buying as caution set in and an easier dollar weighed on prices.

According to one dealer, a rumour that Siemens would cut its dividend sparked some selling, even though the suggestion was not taken too seriously. Siemens shed DM10 to DM486 in the day's most active trading worth DM469m.

Analysts thought the market might consolidate for a few days, especially with US trade figures due tomorrow, but the general view was that fundamentals remained strong and the FAZ index would tackle the 540 level in the near future.

Thyssen was a feature, rising strongly on bullish newspaper comments about world steel demand before easing back to close 90 pfg higher at DM161.70.

VW, which has seen strong interest from abroad, reversed DM5 to DM293 in the day's second most active trading of DM454m.

PARIS also had what brokers described as a "healthy" correction, well signposted after three weeks of gains. The trigger was the Government's forecast of a trade deficit of FFr30bn-FFr35bn this year, well up on earlier predictions although not "alarming", according to one analyst.

There was also some concern over industrial unrest affecting Renault, the nursing service and other sectors.

Overall volume was estimated by one house at under FFr2bn, and the OMF 50 index finished 6.27 lower at 385.53. The CAC General, based on opening prices, was down 1.7 at 383.2.

Construction stock Bouygues had a volatile day as it emerged that Mr Bernard Tapie, the industrialist, had bought shares in the group to prevent a hostile raid. It ended steady at FFr620 on 62,000 shares after climbing to FFr643 and falling to FFr612.

Sugar producer Béghin-say ended FFr5 lower at FFr533 in the wake of Paribas' purchase of just under 5 per cent, and recently strong Cie du Midi dropped FFr55 to FFr1,570.

However, Club Med saw speculative buying, advancing FFr11 to FFr492 on 117,700 shares.

MILAN had a strong day in anticipation of parliamentary agreement on the secret ballot reform. The Comit index rose 7.72 to 564.89 in moderate trading.

In the event, the vote on the reform was postponed yet again. This did not prevent healthy gains in blue chips, although there was limited profit-taking towards the close.

"People are now so convinced the whole thing is going to be approved that they're just buying," said one analyst. Worries over the budget deficit had been the main brake on the market, which was now welcoming the prospect of much speedier economic change once the reform was agreed, he said.

ZURICH closed mixed in healthy trading. The Crédit Suisse general index eased 0.1 to 492.6 and the industrial index added 0.8 to 532.7.

Analysts were undecided whether the market was taking a break to digest recent gains or large scale profit-taking was about to start. One said: "The last few days have been uninteresting, with disappointing volumes. We need to get foreigners a bit more involved."

The weaker dollar prevented the market from following overnight gains on Wall Street.

Major banks felt some profit-taking. Union Bank bearers fell SFr25 at SFr3,320. Crédit Suisse traded SFr5 higher at SFr2,725 as the market reacted positively to CSFB's planned merger with First Boston.

In chemicals, Ciba Geigy's bearers added SFr5 to SFr3,460.

MADRID, where there were gains in the past two days, weakened towards the close after rising earlier. The general index closed 0.55 higher at 285.09.

In property, Urbis saw very heavy trading of more than 300,000 shares. It fell 5 percentage points to 510 per cent of nominal market value.

Volume generally picked up to about Pta9.5bn compared to recent daily figures of around Pta7bn.

AMSTERDAM was depressed by a lack of news and some profit-taking after a recent surge of activity. The CBS index ended 0.5 easier at 100.6.

Boosted by higher oil prices, Royal Dutch rose 30 cents to Fl 226.30 but off its high. Airline KLM was hit by the stronger oil market, dipping 60 cents at Fl 37.60.

STOCKHOLM declined in moderate profit-taking, although a series of good interim results helped confidence. The Affärsvärlden index lost 1.5 to 934.4.

Alfa-Laval, the dairy equipment and process engineering group, saw its free B shares fall SKr2 to SKr418, after a SKr12 rise on Monday. It announced a 27 per cent rise in eight-month profits and predicted a significant improvement in full-year figures.

S-E Banken, which reported eight-month profits of SKr3.11bn, up from SKr2.52bn in the same period last year, rose SKr2 to SKr152.

Perstorp dropped SKr5 to SKr250; the chemicals company said its annual profit of SKr605m, up from SKr430m, which was announced on Monday, had been higher than the company expected.

BRUSSELS closed easier after a calm session during which many small investors took profits. The forward index fell 44.91 to close at 5,505.74 points.

SOUTH AFRICA

PROFIT-TAKING ate into gold stocks' early gains, which had followed a rise in the bullion price, as Johannesburg resumed trading after Monday's holiday. Kloof gained R1 to R34.75 and Ofsil added R3.50 to R84.25.

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY OCTOBER 11 1988					MONDAY OCTOBER 10 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (91)	141.48	+0.5	122.17	117.25	4.20	140.77	121.87	116.38	152.31	91.16	165.38
Austria (17)	89.54	+0.4	77.31	86.01	2.47	89.16	77.19	85.88	98.18	83.72	100.71
Belgium (63)	124.12	+0.2	107.17	120.14	4.21	123.84	107.22	120.18	139.89	99.14	122.04
Canada (126)	123.37	−0.2	106.52	108.00	3.12	123.63	107.03	108.05	128.91	107.06	132.09
Denmark (39)	135.15	+0.2	116.70	131.11	2.28	134.90	116.79	130.77	135.15	111.42	120.34
Finland (26)	113.01	+0.0	97.58	103.35	1.71	113.06	97.88	103.69	139.53	106.78	–
France (130)	99.21	−1.5	85.66	98.20	3.31	100.71	87.19	99.88	100.71	72.77	104.33
West Germany (102)	81.43	−0.4	70.31	78.40	2.36	81.73	70.76	78.82	81.73	67.78	99.60
Hong Kong (46)	105.08	−0.2	90.74	105.45	4.75	105.34	91.19	105.72	111.86	84.90	153.37
Ireland (18)	138.65	+0.6	119.72	134.88	3.73	137.84	119.34	134.32	144.25	104.60	158.49
Italy (100)	77.75	+1.8	67.13	80.07	2.51	76.34	66.09	78.84	81.74	62.99	95.46
Japan (456)	162.11	+1.6	139.98	134.24	0.55	159.53	138.11	133.31	177.27	133.61	150.05
Malaysia (36)	134.84	+0.0	116.43	139.64	3.05	134.86	116.75	139.58	154.17	107.83	177.86
Mexico (13)	152.03	−0.6	131.28	380.32	1.43	152.97	132.43	382.66	180.07	90.07	404.42
Netherland (38)	105.17	+0.1	90.81	100.20	4.86	105.05	90.95	100.28	110.66	95.23	121.82
New Zealand (26)	72.03	+0.0	62.20	61.34	6.41	72.02	62.35	61.22	84.05	64.42	131.42
Norway (25)	115.57	+0.1	99.79	107.17	2.68	115.50	99.99	107.50	132.23	98.55	179.28
Singapore (26)	118.16	+0.0	102.03	110.76	2.46	118.12	102.26	110.78	135.89	97.99	169.95
South Africa (60)	109.72	+1.6	94.74	96.90	4.44	107.94	93.45	95.33	139.07	98.26	187.58
Spain (42)	142.80	+0.7	123.30	132.47	3.02	141.75	122.72	131.92	164.47	130.73	165.60
Sweden (35)	125.49	−0.1	108.35	117.68	2.43	125.58	108.72	118.19	125.58	96.92	133.83
Switzerland (56)	79.38	+0.0	68.54	77.26	2.18	79.40	68.74	77.56	86.75	74.13	110.06
United Kingdom (322)	131.76	+0.0	113.77	113.77	4.60	131.74	114.05	114.05	141.18	120.66	159.75
USA (582)	113.49	−0.1	97.99	113.49	3.52	113.64	98.39	113.64	113.64	99.19	128.52
Europe (1013)	108.07	+0.0	93.32	99.52	3.72	108.10	93.59	99.78	110.82	97.01	128.52
Pacific Basin (681)	158.94	+1.5	137.24	132.26	0.78	156.55	135.53	131.38	172.26	130.81	150.65
Euro-Pacific (1694)	138.62	+1.0	119.69	119.10	1.70	137.20	118.78	118.66	147.53	120.36	141.86
North America (708)	114.00	−0.1	98.44	113.17	3.49	114.16	98.84	113.32	114.16	99.78	128.71
Europe Ex. UK (691)	93.25	−0.1	80.52	90.80	2.98	93.31	80.79	91.06	93.31	80.27	109.11
Pacific Ex. Japan (225)	120.76	+0.2	104.28	107.56	4.36	120.50	104.32	107.16	128.27	87.51	158.16
World Ex. US (1893)	137.82	+1.0	119.00	118.63	1.77	136.46	118.14	118.19	146.49	120.26	142.17
World Ex. UK (2153)	128.01	+0.7	110.53	117.14	2.12	127.15	110.08	116.85	131.77	111.77	134.61
World Ex. So. Af. (2415)	128.44	+0.6	110.91	116.95	2.34	127.66	110.52	116.72	132.39	113.26	136.52
World Ex. Japan (2019)	112.18	−0.1	96.86	108.18	3.62	112.26	97.18	108.33	112.43	100.00	130.55
The World Index (2475)	128.33	+0.6	110.81	116.81	2.35	127.54	110.41	116.58	132.38	113.37	136.85

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).